

***You Get What You Pay For:
Independent Music and Canadian Public Policy***

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Abstract

The aim of this MA thesis is to demonstrate how corporate concentration within the global music industry specifically affects the Canadian music industry's ability to compete for its own national audience as well as audiences worldwide. Federal public policies, regulatory regimes and subsidies are considered within the context of the structure of the global marketplace which is, in effect, an oligopoly controlled by four major corporations. Through an extensive literature review of political economy theory, Canadian public policies and music studies, as well as personal interviews conducted with Canadian musicians, entrepreneurs and public servants, I will situate my research within the body of political economy theory; present a detailed report of the structure of the global music industry; address the key players within the industry; describe the relationship between the major corporations and the independent companies operating in the industry; discuss how new technologies affect said relationships; consider the effectiveness of Canadian public policies in safeguarding the national music industry; and recommend steps that can be taken to remedy the shortcomings of Federal policies and regulatory regimes.

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Chapter 1

Introduction: Setting the Scene

In February 2005, the U.S. based music magazine *Spin* ran a feature article entitled “Montreal - The Next Big Scene” (Perez). The article documented some of the bands, labels and venues that have helped to “put Montreal back on the musical map” (Perez, 62). This article launched a wave of media attention from U.S. publications such as the *New York Times* and *Rolling Stone*, heralding Montreal as the next ‘hot’ scene, perpetuated through extensive coverage of bands like the Dears, the Stars, Wolf Parade and particularly Arcade Fire, which has been publicly praised by the likes of David Bowie and David Byrne. These articles frequently present Montreal as “the new Seattle.”

While Montreal is not the first city, or even the first Canadian city¹, to arouse comparisons to Seattle in the media, the attention inspired mixed emotions from local fans and musicians that ranged from indifference to suspicion to outrage (O’Meara 2005). In fact, it is the Seattle analogies that seem to have made many Montrealers particularly uneasy.

The ‘Seattle scene’ that came to be associated with the ‘grunge’ genre² emerged in the late 1980s and early 1990s (Bell 1998), mainly as a result of

¹ Halifax was declared ‘the new Seattle’ in the early ‘90’s, and the band Sloan had even been dubbed the new Nirvana by some eager Canadian journalists (Barclay 2001).

² ‘Grunge’ has been described as a combination of punk and heavy metal influences (www.silver-dragon-records.com/grunge.htm)

the international success of the bands Nirvana and Pearl Jam. Thomas Bell (1998, 86) summarized the Seattle scene as follows:

Seattle grew to predominance because of the juxtaposition of creative talent, record company agents anxious to sign new talent, and several successful independent record labels such as Sub Pop Records. As the music of Seattle became more mainstream, much of the creative energy was lost. Grunge metamorphosed into a Madison Avenue advertising ploy. Movies such as "Singles" hyped the Seattle scene until it became a parody of itself. The media have seemed to tire of Seattle and have moved on to search for the next music scene.

Local music fans seemed to be concerned that Montreal could be mined for talent, exploited for the almighty dollar and left drained, like Seattle was after the 1990s grunge wave. One apprehensive fan posted the following comment on the *Montreal Hour* website³:

Unlike Seattle, Montreal is an island where we can only hope to remain inaccessible and cut off from the mainland of Britney Spearsization. Any band that has tried to "make it" knows how the business can dull musical instinct. So why should we care who gets the spotlight in some American mainstream culture magazine? I don't think SPIN or any magazine that lands in town carrying the warped corporate ideology of the modern day music industry, will ever come to appreciate the likes of a 1990's era Seattle, or present day Montreal. Montreal thrives in the music scene by doing what it does best - being different.

(Montreal Hour Online)

Buried within this rant lies the manifestation of a contradiction inherent in rock music: the musician's struggle between the 'local' and the 'global' is a tug of war between maintaining a sense of an artistic community and striving to reach the largest possible audience - the latter often being associated with 'selling out'. Furthermore, the artistic integrity and politics of resistance

³ *The Montreal Hour* is a local English entertainment weekly.

embodied by the meta-genre of rock conflict with the production and market system on which it is dependent (Shevory 1995, 24).

Despite rock music's status as one of the most popular forms of cultural expression existing today, it is no longer possible to consider popular music and the economics of the music industry as if they were two separate realms (Fenster & Swiss 1999, 228). Sound recording is a globalized industry and, according to the International Music Industry Association (IFPI) worldwide CD sales in 2006 were \$US 19.6 billion (which has declined 5% from 2005). Moreover, more than 80 per cent of the world market is controlled by what are now down to *four* 'majors' (after the merger between Sony and BMG in the summer of 2004)⁴ – EMI, Sony-BMG, Warner Music Group, and Vivendi Universal.

The trend towards corporate concentration over the past 10 years or so is a result of the "relaxation of regulatory barriers that previously prevented consolidation across majors sectors... [leading to] the major companies' scramble to position themselves to maximum advantage in a rapidly moving communications environment" (Golding & Murdock 1991, 80). As 'free' market economies are becoming increasingly prevalent on a global scale, major communication conglomerates have been extending their reach into territories that were previously restricted markets. Historically, the main forms of resistance to the processes of corporate concentration and accelerating privatization have come from state intervention in the forms of media import

⁴ This merger is still being reviewed by the EU.

restrictions and fostering local industries through public subsidies (Shuker 2001, 71).

So, what does this mean for independent musicians in Montreal and across Canada? This thesis is concerned with the political economy of the music industry as it relates to Canadian independent music and national public policy. Using a critical political economy approach as a theoretical framework, I began my research with the assumption Canadian public policies aimed at protecting the independent music industry are insufficiently developed and do not permit Canadian independent musicians and entrepreneurs to successfully compete within the market as it is currently structured. Consequently, I planned to argue that the distribution of public funds to independent artists would only work if they were linked to policy revisions that would limit the extent to which the majors maintain oligopolistic control over the industry. Critical political economy would further suggest that, without increased government intervention in the industry (for example, in the form of limitations on media ownership concentration or reinforced anti-monopoly laws), regulatory regimes and federal subsidies are inadequate; they are simply band-aid solutions for a gaping wound.

This argument is often cited by political economists (Shuker 2001, 71), and conclusions reached through this approach have come to be considered 'predictable' (Negus 1999, 15; Storey 2003, 96), deterministic and elitist (Negus 1999; Hall 1980). In order to situate my theoretical framework within

the highly contested field of political economic thought, it is necessary to begin by addressing the issues raised in debates concerning this approach.

Critical political economy is rooted in a neo-marxist approach to social order. Applied to cultural studies, the critical political economy approach has been defined by Peter Golding and Graham Murdock (1991, 70) as “the interplay between the symbolic and economic dimensions of public communications. It sets out to show how different ways of financing and organizing cultural production have traceable consequences for the range of discourses and representations in the public domain and for audiences’ access to them.”

Where classical Marxist thought is often criticized as propounding an economic determinist point of view, neo-marxism rejects economic or class determinism and asserts a concurrent belief in at least the semi-autonomy of the cultural sphere. As Golding and Murdock (1991) have emphasized, the critical political economic approach does appreciate the reciprocal relationship between a society’s economic base and its superstructure (social, political and intellectual consciousness). While classical political economy analysis has tended to stress the determining effect of the base upon the superstructure and devalue the significance and autonomy of culture (Shuker 1998, 221), critical political economists retain a more flexible notion of economic determinism; this implies that we can emphasize “economic dynamics as playing a central role in defining the key features of the general environment

within which communicative activity takes place, but not as a complete explanation of the nature of that activity” (Golding & Murdock 1991, 74).

The recent ‘reworking’ of the political economy tradition is representative of a shift in the theoretical objectives of cultural studies and popular music analysis (Shuker 1998, 221) which has tended to emphasize one of two polemical approaches: the classical political economic perspective, with its tendency for capitalist conspiracy theory, and the postmodern accounts of the sovereign consumer, applauding the “heroic resistance fighters in the war of cultural deception” (Golding & Murdock 1991, 86). Critiques of political economy analysis often denounce it for attributing omnipotent power to corporate capitalist industry and reducing consumers to passive ‘dupes’ at the mercy of media messages. Such a criticism is addressed by Golding and Murdock’s approach to political economy. Academics such as John Storey may criticize Golding and Murdock’s ‘reworking’ of the political economy approach as “good on the economic dimensions but weak on the symbolic” (1996, 95), but this type of criticism misses the point. While the critical political economy perspective seeks to understand how audience responses are necessarily situated within wider structures, specifically their position within the economic system, it is not a central task of this approach to delineate the infinite variety of potential responses and interpretations to different media in order to determine how meaning is produced.

The post-modern, audience-centered approach may be an interesting analytical tool in itself insofar as it celebrates the creative power of the

consumer to subvert the dominant ideological messages underlying media content. However, the exhaustive number of studies examining specific subcultures and examples of fandom serve only to reiterate the already-established realizations of this particular 'way into' cultural theory.

Furthermore, the audience-focused approach can easily collapse into conservative celebrations of the 'free' market philosophy and unbridled consumer choice (Golding & Murdock 1991, 71). It remains an important task of those in the field of cultural studies to examine the ways in which meaning is created and recreated as it relates to the media and ideology. However, it is just as important to understand how the reciprocal relationship between action and structure is constituted as well as the ways in which the cultural industries actually operate as industries (Golding & Murdock 1991, 72). To quote Golding and Murdock once more: "Consumer sovereignty is in any total sense clearly impossible- nobody has access to a complete range of cultural goods as and when they might wish, without restriction. The task of political economy, then, is to examine the barriers that limit such freedom" (86).

While some academics criticize the political economy approach for not emphasizing the active roles of consumers, others have dismissed political economic studies that have attempted to demonstrate how corporate concentration within the music industry has a deleterious effect on the types of music being composed and produced. The most notable of these studies is Steve Chapple and Reebee Garofalo's *Rock 'n' Roll is Here to Pay* (1977), which Keith Negus (1999) has condemned as adopting structuralist and

instrumentalist points of view. These two approaches are precarious for political economists, as the former seeks to explain how social relationships and activities attain a fixed quality, thereby not acknowledging the dynamic and fluid nature of social structures (Negus, 16), while the latter approach assumes that capitalist corporations can use their economic power to ensure that media messages are ideologically suited to conform to their best interests (Golding & Murdock 1991, 73), and therefore does not acknowledge mediated consumer responses and the instability of manipulation tactics.

In response to critiques of *Rock 'n' Roll is Here to Pay* as heavily instrumentalist, Garofalo (1986) later acknowledged that “there is no point-to-point correlation between controlling the marketplace economically and controlling the form, content and meaning of music” (cited in Negus 1999, 16). Negus has argued that increasing corporate concentration in the record industry does not negatively correlate with levels of creativity and the types of sounds being produced by musicians. He has stated: “I’ve always found political economy to be attractive when thinking about my own angst-ridden moments while a member of bands signed to record labels, but less convincing when thinking about the composition and performance of songs and the many activities that are involved in musical consumption” (16). Although I tend to follow Negus’ emphasis on how the economic organization of the record industry does not necessarily affect the creative musical output of musicians, it is important to understand how corporate concentration does influence consumers’ access to a diversity of sounds.

In a study entitled "Cycles in Symbol Production: The Case of Popular Music" (1975), Richard Peterson and David Berger found that oligopolistic concentration in the record industry reduces innovation and leads to a homogeneity of product (159). Their study examines data from the 26-year period between 1948 and 1973 and details how cycles of market concentration and periods of 'competition' directly affect the range of alternative products on the market. In order to avoid the traps of instrumentalism and structuralism, it is important to acknowledge at this point that, although Peterson and Berger present strong evidence to support their conclusions, many factors (including new technologies and marketing strategies) have evolved since their study. A number of more recent studies of cycles of ownership concentration and the diversity of popular music available to consumers (reviewed in Ross 2005) have challenged the original findings. However, although more than thirty years have passed since Peterson and Berger's original study was published, Peter Ross has stated that "while the recorded music market has changed dramatically over the past 60 years, the significance of the cycles of symbols production approach for music research still prevails" (Ross 2005, 10).

One of the factors that has changed significantly since the Peterson and Berger study involves increased audience fragmentation (Straw 1997, 62). According to Will Straw (1997), "as tastes fragment and few records attain the sales levels of a *Thriller* or a *Purple Rain*, consumer choices no longer manifest themselves as broad, collective swings towards this album or that. Instead, they are spread among thousands of choices from repertoires

accumulated over fifty or sixty years" (59). As a result of audience fragmentation, it is likely that one may own several albums listed on *Billboard's* Top 10 without even having heard most of the other artists listed (Straw 1997, 62). As markets shift, corporate strategies evolve; but one thing that does remain the same throughout market cycles and despite academic approaches to *analyzing* the cultural industries is the corporate capitalist priority of making profits. After all, the most successful operations are often those that were the most competitive, ruthless and devious (Frith 1993, 21). Consequently, the multinationals (or majors) have all undertaken measures to ensure that they can take advantage of every changing nuance of consumer taste (Peterson & Berger 1975, 169), whether through contracting artists performing in specialized genres to subsidiary companies, or buying out the contracts of artists signed to independent labels, or simply taking over the independents.

So, while some academics have argued that the record industry does not "manipulate the public so much as feel its pulse" (Negus 1999, 18), we must bear in mind 'feeling the public's pulse' is in itself a corporate strategy easily achieved through any number of monitoring methods (websites such as Myspace.com help to facilitate this) and through careful analysis of sales figures; information gained through these practices is reciprocally used in marketing and promotions. Nevertheless, while the powerful owners of multinational corporations may not deliberately set out to control the practices of musicians, the structure of the industry as it stands today sets up

independent artists and labels for a perpetual struggle to compete in what is actually an oligopolistic market (Shuker 2001, 31).

Paradoxically, the emergence of a 'free market' philosophy and a tendency towards postmodern pluralism which have become popular in cultural studies in recent years, in an attempt to challenge the alleged economic determinism of those approaches that rely on neo-marxist views of sociological studies, such as critical political economy, has occurred during a time of unprecedented corporate concentration, (Golding & Murdock 1991, 86). In essence, the starting point for either approach is based on "basic moral questions of justice, equity and the public good" (Golding & Murdock 1991, 73). Much of the literature emphasizing the critical political economic views of the media has been criticized as having elitist tendencies. For proponents of the free market philosophy, the public good is maintained through policies of privatization that supposedly ensure 'freedom of consumer choice' (Golding & Murdock 1991, 73). Those working within the tradition of critical political economy have been labeled 'moral leftists' and attacked for supporting the "elitist and reactionary argument which claims that more (quantity) always means less (quality)" (Storey 1996, 97).

Such arguments obviously touch on debates within cultural studies that distinguish 'high' culture from 'low' (or 'popular') culture. The high culture vs. low culture debate is predicated upon the assumption that there is a clear distinction between high and low culture, and sees the latter as a residual category encompassing what has not met the standards of the former (Storey

1993, 7). A major problem inherent in this kind of distinction is that it is heavily dependent on taste as a marker of class, in both a socio-economic sense and as a measure of moral and aesthetic worth. As Pierre Bourdieu has stated, "nothing more clearly affirms one's 'class', nothing more infallibly classifies, than tastes in music" (1984, 18).

The goal of political economy is not to distinguish between high and low quality cultural goods. Rather, it is concerned with the privileged position of transnational communications conglomerates and their pursuit of audience maximization through efforts to create a single mass audience across culturally diverse nations (McAnany & Wilkinson 1996, 18). Although many political economy studies do examine the ideological implications of what has been termed 'cultural imperialism' (Laing 1986; Shuker 1998), I should also emphasize that I am less concerned in this thesis with how the *content* of the actual music is interpreted ideologically by audiences. Instead, the primary focus of this thesis is how corporate concentration within the music industry affects the ability of Canadian artists to compete for a share of their own national audience as well as audiences worldwide.

It is not necessary to invoke theories of cultural imperialism to explain why Canadian musicians, writers, actors and other creative artists might require some assistance to practice their respective arts. Numerous studies have shown that the majority of Canadians spend much more of their money and time on American media and cultural products than on Canadian ones. According to Sheila Copps, former Minister of Canadian Heritage, as of May

2000, "30 percent of all the books that are sold in our country are American... 80 percent of the magazines on our news-stands are American. Foreign, primarily American content, accounts for 70 percent of the music on our English-language radio. 84 percent of CD sales in our country are foreign, primarily American. 85 percent of the prime time dramas on English-language television come from [the United States]. And 97 percent of the feature films in our movie theatres come from Hollywood" (Empire Club Addresses 1999). With respect to the sound recording industry, the profit margins of Canadian firms (7%) in 1995-96 were still inferior to those realized by the multinational record labels in Canada twelve years prior (8.2%). In terms of dollars, the majors generated \$155 million in profits while the whole of the Canadian-owned sector generated \$14 million. Put another way, the *profits* that the majors garnered in Canada far exceeded the total *revenues* from the sales of recordings of Canadian-controlled firms (approximately \$122 million) in 1995-96 (LeBlanc 2003).

As mentioned above, the main forms of interruption to the processes of corporate concentration have come from national public policies of subsidizing local artists, regulatory regimes that can institute quotas, the regulation of monopolies and corporate concentration by the European Union/Commission, and restricting media imports (Golding & Murdock 1991, 81; Shuker 2001, 71). Canada has developed a range of policies to support its domestic music industry, starting in 1971, when the Canadian Radio Television and Telecommunications Commission (CRTC) introduced Canadian content, or

'CanCon,' regulations, requiring most radio stations to play a minimum of 30 percent Canadian music daily. Although the new policy mandate was deemed elitist by some critics, it has undoubtedly fostered the success of many Canadian musicians since it was introduced (Barclay 2001, 23). For those proponents of the free market philosophy who have criticized the CRTC for implementing policies to protect Canadian cultural industries and Canadian culture in general, a reoccurring sentiment expressed in the media and by the public is that "if Canadian culture disappears, for lack of institutional support, that doesn't matter much, because nobody watches it or reads it anyway" (Gordon 1999).

In an article entitled "The New Challenge Threatening Culture," published in the Canadian news magazine, *Maclean's*, Charles Gordon addressed the hostility towards cultural policy-makers as 'elitism.' He quoted extensively the views of free market economist and policy analyst, William Stanbury:

The elite is not content to indulge its own tastes; it wants to 'improve' the tastes of others. The elite know to a certainty that if they could fully determine the type of cultural products to which the masses are exposed and to increase their exposure to these products, the masses would, in time, come to demand the cultural products promoted by the elite. For the Canadian cultural elite, U.S. junk food is positively the worst kind, because it is the product of the nation they love to hate. Worst of all, it is popular around the world and so further isolates and frustrates the elite. (cited in Gordon 1999)

However, this thesis is not an elitist lament on how the public would stand to learn a thing or two about high caliber cultural commodities as a result of media import restrictions, nor is it a cultural protectionist call to arms in order to defend the elusive Canadian culture from our southern neighbors; rather,

this thesis is concerned with allowing Canadian musicians to have a fair share of market access by opening production, distribution and marketing channels beyond oligopolistic control. Gordon (1999) expressed it quite lucidly in the last line of his article: “the notion of a cultural elite masks the fact that most of the cultural community consists of struggling musicians, artists, actors and writers who, far from trying to impose their tastes on anybody, just want to make a living in their own country” (13).

Although the argument being made here is neither entirely original nor unexplored within academic and governmental discourse, the central concern of this thesis is not simply to present a theoretical critique of the structure of the music industry, or to discuss the active roles of consumers in producing meaning from cultural texts. By examining the practical, lived experiences of those Canadian musicians and music industry entrepreneurs who actively participate within this sector of our economy, this thesis will fill a gap within the extensive body of research on the music industry in Canada.

In chapter 2 of this thesis, I will discuss the current structure of the ‘globalized’ music industry, the differences between the major labels and indie labels, the trend towards vertical integration within the record industry and I will also provide a detailed account of the process of production, distribution, promotion and sales of recordings in order to demonstrate what is now a global trend in the music industry. The influence of new technologies such the Internet will also be considered, with a particular emphasis on whether they help or hinder the efforts of independent musicians.

From a discussion of the global trends in chapter 2, I will proceed to an examination of the Canadian market in chapter 3. The strengths and weaknesses of the Canadian music industry will be considered in greater detail, as will the role of Canadian content regulations in order to gain a better understanding of how regulatory regimes affect the Canadian industry. Finally, this chapter will present a breakdown of the mandates and policies of the Canadian federal government with regards to popular music and will examine the controversies surrounding the distribution of the taxpayers' money to the highly commercialized music industry.

Lastly, in chapter 4, I will summarize my findings and, using the information gathered throughout this study, I will critically evaluate policy recommendations and/or alternatives to the current policies of the Canadian government with respect to the Canadian music industry.

My research includes a literature review encompassing academic studies of popular music, theoretical perspectives on political economy and cultural industries, and critical perspectives on public policy. I made use of a wide range of government documents and industry reports, as well as many web sites belonging to government organizations, music corporations, individual musicians and music writers.

This thesis also draws on the expertise and assistance of a number of industry insiders: Ian Lavsky, the co-owner of Constellation Records in Montreal; Patricia Elliott, who works for Trade Routes (a federal assistance program); Meyer Billurcu, co-owner of Blue Skies Turn Black promotions in

Montreal and a rep for Sonic Unyon; and Pierre Capentier, general manager of FACTOR. All shared with me their perspectives and insights on the Canadian music industry and government policies. Their contributions are gratefully acknowledged.

Chapter 2

The Global Music Industry

As I have discussed in the preceding chapter, the music industry is a multi-billion dollar global business entity. In order to fully understand how it is primarily controlled by the 'majors' and is, in effect, an oligopoly, it is necessary to examine its structure, which is diverse and highly complex in activities and organization.

Although it may seem a banal observation, the music industry is fundamentally structured around the technology that has allowed music to become commodified as a stored format, capable of being bought and sold to consumers. The history of the popular music industry over the last century has been, in many senses, the story of the evolution of successive forms of musical storage. Theoretically, we can refer to the memories of musicians as the first form of musical storage and, hence, as the first basis for 'money-making' from musical endeavours; talented musicians would earn more from their communities. The development of craft specialization in performing music and making musical instruments led to the first music-related divisions of labour (Frith 2001, 28-29).

In the ninth century, Charlemagne invented music notation in order to standardize Christian church music, significantly altering the way that music was made, stored, distributed and heard (Taylor 2001, 3). Subsequently, with the invention of movable type in the early sixteenth century, the distribution of

music notation became much more efficient and music began to extend beyond its former boundaries to a greater number of people, thereby creating a “musical public,” allowing composers to copyright their work and to become recognized as ‘artists’ (Taylor 2001, 4). The composer and the music publisher (often the same person in the earliest stages of these developments) emerged as the new money-making figures in the music ‘market.’ The music industry, then, before it was ever concerned with producing records, was primarily concerned with the protection and regulation of copyrights and was thus dependent upon legal structures (Frith 2001, 30). These developments contributed to the shaping of a new cultural industry, and consequently, to the creation of music consumers; people could purchase music notation to play at home on purchased instruments. They could invest in music lessons and they could purchase tickets to experience live performances (Frith 2001, 30).

As significant as these developments were to the young music industry, the phonograph, invented in 1877 by Thomas Edison, had a much greater impact on both music and society. Originally created for recording purposes, “to stabilize representation rather than to multiply it” (Attali 2002, 91), it soon became apparent that consumers were less interested in recording their own voices than with using the phonograph to enjoy mass-produced entertainment (Morton 2000, 5). In 1886, Charles Sumner Tainter perfected the gramophone, which made serial repetitions possible since the cylinders on the phonograph would wear out after six playings (Attali 2002, 95), and eventually the sound recording and playing technology got woven into the fabric of society (Morton

2000, 3). Where people had previously 'purchased' music in order to reproduce it themselves at home, they began purchasing music 'ready-made', provided for the first time as software in the form of a roll or a disc (Frith 2001, 30), thereby transforming people from producers into consumers (Taylor 2001, 5).

This brought music from the realm of the immaterial to the tangible, fixing sound to a physical, marketable medium, thereby revolutionizing economic constructions of representation and transforming social and cultural space (Attali 2002, 95), as well as irrevocably altering public conceptions of the musical experience. As Attali noted, "[w]hen Western technology, at the end of the nineteenth century, made possible the recording of sound...[a] new society emerged, that of mass production, repetition, the nonproject. Usage was no longer the enjoyment of present labors, but the consumption of replications" (2002, 87-8). This is not to say that new music technologies simply replaced old forms of creating and listening to music - obviously people continue to make music outside of industry structures; rather, these new ways emerged alongside of old ways (Frith 2001, 29). However, the new ways would never have existed and evolved into what we now know as the music industry today had there not been a demand for them among consumers.

With the mass marketing of electrical goods, including the gramophone and eventually radios, a new industrial sector came to fruition, expanding the consumption of musical products beyond those who possessed musical talents to include everyone able to afford the hardware required to play

broadcast and pre-recorded music (Frith 2001, 31). As a result, the owners of the rights to scores and recorded music received royalties from licensing rights for various performances, the private sales of recordings and public broadcasts on the radio (Frith 2001, 30). Even at its earliest stages, the record industry profiteers understood that it was necessary to produce demand as well as producing the supply, and consequently, companies such as the Compagnie Francaise du Gramophone organized free musical shows in numerous towns as early as 1907. Eventually, radio became little more than an auxiliary of the record industry (Attali 2002, 95).

During the rise in popularity of the gramophone and the radio, the owners of record companies were not simply interested in producing the software to be played on the consumer furniture used to reproduce recordings; record company owners invested heavily in developing the hardware that they were dependent upon for the communication of recordings (Negus 1992, 23). This phenomenon has been described by Pekka Gronow (1983, 55):

The leading companies owed a considerable part of their success to technological innovation. They were not just record companies, they had to produce complete systems of recording technology. For the consumer, they offered both recordings and the equipment to play them on (and a critical observer of the cabinet phonographs of the 1910's might say that records were a sideline to help the sale of furniture). For the industry itself they had to develop recording equipment, mastering processes and presses.

Record companies acquired and merged with electronic companies in order to gain patents for new technologies, such as the merger in 1931 of the Gramophone Company and Columbia Gramophone to create EMI (Electrical and Musical Industries Ltd.) (Negus 1992, 23).

Beyond allowing music to be retrieved as it was *written*, recording technology allowed music to be retrieved as it was *performed*, making possible the commercialization of folk music (Frith 2001, 31). By folk music I am referring to the music that followed oral traditions and that was born out of vernacular improvisation, as opposed to notated music which involved composing, arranging and learning music according to composers' scores (Frith 2001, 31). As Simon Frith states:

...if initial recordings were just that, records of really happening studio events, they became sonic compositions, studio-created works that had never actually been performed and often couldn't be- whether a concoction of doctored noise like the Beatles' *Sgt Pepper* or Glenn Gould's spliced together 'perfect' version of a Goldberg variation... To make a record was to make something quite new; no longer to pursue 'fidelity' to an original 'live' event (Frith 2001, 31-2).

Many genres, such as blues and jazz, were dependent upon recording and broadcast technology, because they are not music that is played from scores and are commonly improvised (Frith 2001, 31).

Recently, the music industry has undergone another technological revolution: digital technology has not only changed the ways in which music is stored and recorded, but also the ways in which it can be distributed (Frith 2001, 32). This will be examined in greater detail later in this chapter.

This brief historical survey of the symbiotic relationship between technology and the music industry serves to establish the fact that, since the beginnings of the music industry, record companies have sought to exert control over both the software associated with musical recordings and the hardware technology necessary to reproduce them (Negus 1992, 23). This

tendency continues today in an unprecedented degree of control through the process of vertical integration.

Before going on to discuss how the current structure of the music industry has become an oligopoly, it is necessary to understand what types of companies are involved and to what degree they are capable of exerting control over the processes of signing new acts, acquiring rights to music, marketing and promoting acts, and distributing music.

Revenues from the global sales of recorded music reached around \$36 billion in the mid-1990s, and over three-quarters of these revenues belonged to the 'majors' (Lovering 1998, 40). The majors are multinational corporations, usually belonging to a conglomerate, who control the production, manufacturing, distribution, marketing and promotion of the recordings of their signed artists; in others words, they are fully integrated firms (Fenster & Swiss 1999, 229-30). As mentioned in the previous chapter, the 'majors' that exist today are EMI, Sony-BMG, Warner Music Group, and Vivendi Universal. These companies are themselves owned by larger companies, which have interests encompassing a range of leisure and entertainment media, electronic and industrial manufacturing and firms providing domestic products and services (Negus 1992, 2). Although it has now been spun off as a separate enterprise, EMI was, for many years, owned by the British-based company Thorn-EMI, which has interests in lighting, the rental of domestic appliances, musical and electrical retail outlets, security systems, computer software and electronic technology. Sony Music (now part of Sony-BMG) is a division of the

Japanese Sony Corporation, a leading manufacturer of domestic and industrial audio and visual products, semiconductors, telecommunications equipment and the owner of Columbia Pictures in Hollywood. BMG Music is a subsidiary of the Bertelsmann group of Germany which, despite maintaining a low corporate profile, was the largest media conglomerate prior to the Time-Warner merger in 1989. Bertelsmann's interests include newspapers, magazine and book publishing, record clubs and cable television networks. Warner Music is part of the AOL-Time-Warner conglomerate which is one of the largest entertainment corporations in the world with interests in film, cable, television and publishing. Universal Music was once owned by Canada's Seagram corporation, but is now a subsidiary of the French media and utilities conglomerate, Vivendi.

However, as Negus (1999) has pointed out elsewhere, attempts to profile the majors are almost always thwarted by the constant restructuring of corporations through mergers and sales of subsidiaries (35). Ten years ago, there were six majors, including Polygram, then owned by the Dutch electronics firm, Phillips. In 1998, Seagrams bought Polygram for over \$10 billion and merged it with Universal/MCA to form the Universal Music Group (UMG) – then there were five. In the summer of 2000, Seagram sold UMG to Vivendi, along with its holdings in the Universal/MCA film production and distribution business. Then, in July 2004, Sony Music and BMG announced that they had merged reducing the Big 5 to the Big 4. This merger (which was temporarily blocked, at least in Europe, by the European Union's anti-

monopoly regulator) makes Sony-BMG the second-largest record company in the world with 30 percent of the world music market and combined sales of more than \$8 billion, according to Nielsen SoundScan, placing it just below Vivendi's Universal Music Group and ahead of Warner Music Group and EMI Group (Farache 2000). Many expect Universal to be bought up soon, although it seems unlikely for antitrust reasons and cash flow problems that any of the others will take over UMG; after all, Universal is the largest of the majors, and has been growing steadily in sales volume, even in the downturn that all recording companies have faced in recent years (Hannaford 2003).

The histories and structures of each of the majors are long and involved (for a brief overview, see Bishop 2005). For the purposes of this thesis it is unnecessary to examine the details of the innumerable sales and acquisitions of companies by multinational corporations or the interests of their parent companies; but it is necessary to underline the breadth and scope of power possessed by the majors at this point.

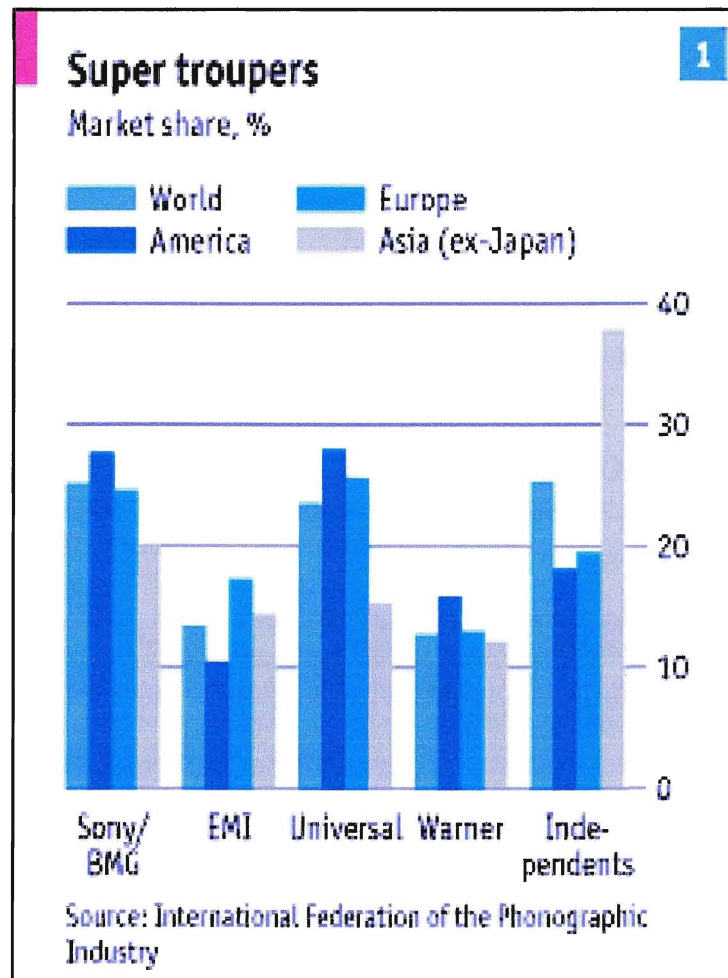
The process whereby the ownership of an area of production is increasingly aggregated into the hands of a small number of companies is referred to as *concentration*. Economists often use a formula to achieve a *concentration ratio*, which measures the degree of concentration within a particular sector by calculating the proportion of the market controlled by the top five firms in the sector (Longhurst 1995, 30). While the concentration ratio of an industry is used as an indicator of the relative size of leading firms in relation to the industry as a whole, market share is the percentage of the total

market serviced by a firm or brand. Figure 2.1, below, taken from *The Economist* (2004), represents the market share held by each of the major record companies in the music industry in different parts of the world.

Although there are now four majors that dominate the market, it is not necessary for a single corporation to own everything in order to achieve monopoly power; an oligopoly exists in the music industry today, which means that any one of the ruling companies, acting alone, can alter market conditions (Bagdikian 2004, 5).

While it is not a recent phenomenon that the music industry is dominated by a small number of large companies (Negus 1992, 2), over the past 20 years there have been important developments in the structure and operations of the majors (Fenster & Swiss 1999, 230). The majors have drastically increased in both size and scope by acquiring smaller domestic and international music labels and music publishing companies (Fenster and Swiss 1999, 230). This is what is known as vertical integration: buying out companies involved in other layers of the same market. When a company expands vertically, it takes over several of those levels of intermediation in order to maximize control and minimize dependence on other companies that have their own interests. Vertical integration ensures that “oligopolistic concentration of the record industry [is] maintained by control of the total production flow from raw materials to wholesale sales” (Peterson & Berger 1975, 143). Vertical integration in the music industry is intended to maximize control over three crucial areas, in addition to the core business of production: musical supply

Figure 2.1
'The Big 4' – Market Shares



Source: "Music's Brighter Future," *The Economist*, October 28, 2004

Another development within the organization of the industry is that the trend towards consolidation of the majors within multinational conglomerates has become remarkably common over the past 15 years or so. This process is the result of large companies seeking to expand their control over the market by expanding horizontally through the purchases of other, parallel companies. For example, the following is a list of *some* of the smaller record labels owned by each of the majors:

Sony-BMG: Arista, Columbia, Epic, J Records, Jive, LaFace, Legacy, Provident Music Group, RCA, RCA Victor Group, RLG – Nashville, SONY BMG Masterworks, Sony Music Nashville, Sony Urban Music, Sony Wonder, So So Def, Verity

EMI: Capitol, EMI, Blue Note, Parlophone, Angel, Chrysalis, Virgin, Caroline, Back Porch, Higher Octave, Sparrow, Manhattan, Forefront, Shakti, Additive, Heavenly

Warner: Atlantic, Atco, Elektra, Asylum, Reprise, Maverick, Rhino, Sire, Warner Brothers, Bad Boy, Lava, East West, Nonesuch, Warner Nashville, Warner Jazz, Warner Music International

Universal: Barclay, Geffen Records, Island Def Jam Music Group, Mercury, Polydor, Universal Motown, Decca, Deutsche Grammophone, Universal Music Latino, Universal Music Nashville, Verve Music Group

Such lists serve to demonstrate that, although there *appears* to be a wide variety of labels in the market catering to consumer tastes, the vast majority of profits in the industry are funneled back to the four major corporations which own all these labels.

Another effect of consolidation is that the multinational parent companies reap the profits from a range of different products, as they have diversified into

other activities in the music industry and into other media (Fenster & Swiss 1999, 230). This process of diversification facilitates the maintenance of overall profits even when individual sectors suffer due to factors such as falling demand, as the income from one sector can 'cushion' the losses from another (Longhurst 1995, 32). Accordingly, the amount of capital gained through diversification, combined with the established global infrastructure of multinational corporations, allows the majors to produce, promote and distribute artists internationally (Fenster & Swiss 1999, 231). Furthermore, the diversification of interests by multinational corporations have lead to the increasing possibility of 'media synergy', which Negus (1992, 5) has described as "a strategy of diversifying into directly related technologies and areas of entertainment and using the opportunities that this provides for extending the exposure of specific pieces of music and artists." Synergy is not only important for multinational corporations as a means to promote artists or as a means for artists to promote other products, it is also a recognition of the inter-connectedness of media technology (videos, CD's, DVD's, computers, and digital technology in general) in the form of the home entertainment system as well as a play on a contemporary buzzword, 'multimedia' (Negus 1992, 5).

Consequently, major labels have a predilection for artists who can fulfill the role of a spokesperson for the company. As Negus (1992, 1) has stated:

The major labels involved in recording popular music are no longer merely seeking local musicians, singers or songwriters. The phonogram industry... is concerned with developing global personalities which can be communicated across multiple media; through recordings, videos, films, television, magazines, books and via advertising, product endorsement and sponsorship over a range

of consumer merchandise. The quest is for entertainment icons whose sounds and images can be inserted into the media and communication networks which are spanning the globe.

The changing scope of the majors has a profound effect on the ways in which music is produced, distributed and consumed and, consequently, has altered the relationship between the majors and independent record companies (Fenster & Swiss 1999, 230).

“Indies” are record labels that produce recorded music and remain independent from the major labels to varying degrees (Fenster & Swiss 1999, 231). As a result of vertical integration within the industry, remaining purely independent from the majors is a difficult and costly task. It is for this reason that many academics have eschewed the ‘reductionist’ tendency to discuss indies and majors in terms of a dichotomy (Negus 1999; Burnett 1996). Furthermore, the dichotomy tends to imbue both types of companies with ideological connotations: the indies are associated with innovation, grassroots, and being in it for the love of music, whereas the majors are associated with homogeneity, inauthenticity and being in it for the love of money. For many academics writing about the music industry, the dichotomous model of indies vs. the majors has become understood as a romantic approach to the political economy of the industry (Negus 1992, 16).

But this dichotomy has also been described as misleading, since the recording industry is actually a network of major and minor companies operating symbiotically (Negus 1992, 18). The majors often invest funds into small, independent companies and enter into joint ventures and licensing

deals with them, and furthermore, indies produce music with the aim of selling it on the worldwide commercial markets, not unlike the majors (Negus 1992, 17-8). as a result, certain major record companies have created 'fake' indie labels (often called 'boutique labels') in order to earn some 'street cred' with the youth and subculture markets (Negus 1992, 16). Additionally, assisted by the media, a trend has developed over the past few years whereby the term *indie* has been associated with a particular style or sub-genre of music, rather than a political economic position, which has also helped majors to capitalize on this 'buzzword' that had become so hip with the youth market.

A key observation, underlined in a great deal of academic writing on this topic, is that the indies are extremely valuable to the music industry as a whole because they tend to invest in forms of music not catered to or constrained by the demands of the mainstream music market (Burnett 1996; Shuker 2001; Peterson & Berger 1975; Lovering 1998). So, while the relationship between indies and the majors may be a symbiotic one, it is unevenly so, as often the majors simply ignore the indies, allowing them to operate on the fringes of the industry until it makes financial sense for the majors to invest in them. As John Lovering has noted (1998, 37):

...if a new musical product turns out to be commercially promising, the larger corporations are generally better placed to benefit from this promise. The costs and risks of raising products to the world scale can be insurmountable for small companies, many of which collapse when their acts become sufficiently sales-worthy to be lured away by a major. A good part, probably the majority, of the repertoire of the Big Five corporations [sic] is made up of music that developed in independents.

Indies are left to perform the role of A&R ('audience and repertoire') for the majors – that is, the unearthing, signing and recording of new talent – along with the production of masters and mapping new markets (Frith 2001, 49).

Ian Lavsky is a musician and co-owner of Constellation Records in Montreal as well as co-owner of La Sala Rossa and Casa del Popolo (show venues in Montreal). In a personal conversation, Lavsky described the process and costs involved in starting up the label and opening the venues.

We've never had a grant, although some of our artists have benefited from FACTOR support for touring, where the bands are applying on their own behalf and Constellation is providing supporting documentation or sometimes clears cheques and so on. We have wrestled over the last 8 years with the issue, every once in awhile thinking 'Boy, we should really grab some of this money that's floating around'. I think I've kind of, for various principled reasons as well as various bureaucratic reasons, not been interested in pursuing that and have luckily never been forced to by cash flow or growth or lack thereof.

So when I say that we've never had funding, we've never gone to a government agency and we've been fortunate enough to have people here and there that have been able to float us \$5000. In fact we once took out a loan of \$10,000. From the government's perspective we're an export company - we make all these units of things and 85-90% of them get sold outside of Canada, which is that little indie rock distribution world that exists, that is fairly well anchored in Western Europe and in North America, and if we were to write some kind of financial prospectus about ourselves, we would probably just card ourselves as some kind of boutique label with a very small but dedicated following worldwide and enough awareness amongst the indie rock community that our stuff tends to get reviewed and we barely have to lift a finger to do it. What that has done though is spelled a very low threshold for sales, and we've just always been comfortable staying below it.

The theme of investing personal savings and having little to no 'business' experience is a recurring one among many musicians and small business owners in the music industry - at least according to many band interviews that

I have read throughout the past few years as well as conversations that I have had with friends, colleagues and acquaintances that work in the industry. In the media one often hears about the successes amongst them, i.e., the bands and labels that have broken through and have achieved some level of success and/or public recognition, but there are no doubt a great deal of 'failures' for each success. Ian Lavsky further elaborated:

I mean, we were lucky, and maybe something about the relative speed at which things evolved for us...how early on in the game we had to ask ourselves the question: could we turn this into something that wasn't just a bedroom art project? The strange thing is that we had had this vague business model - we thought about what we would charge for the vegetarian food and the beer we were going to sell, and thought 'if we get 50 people a night for five nights and then 100 people on the weekend...'. We were thinking in terms of numbers and spreadsheets and so on with respect to this café/performance space idea, so we carry that over to the label knowing full well that the economics of something like that are sort of absurd for such a tiny amount of money as 'a startup.' You're not generating cash for months, and obviously that's one of the first hurdles that anybody who's going to build a small, arts distribution or manufacturing and distribution entity. Whether it's a record label or whatever else, that's dependent on retail, is going to come up against immediately is that you're the first person to pay out money and the last to get paid. That gap, if you're lucky, is 6 months and can often be 9 or 12. The people running bedroom labels tend to have a job that they like or some other source of income that's comfortable for them, and tend to operate on the principle that 'I'll pay for the next record out of at least getting my money back on the first record.'...I know lots of people who have put out records that way, and once it's up and running it's great. We differ, I think, very little from that model in the sense that we've never tried to put out more records in a year than we could handle, or more records in a year than we thought made sense for reasons that often have nothing to do with growth or trying to be at the top of any pyramid, local or otherwise.

While it may be accurate to describe the 'independent' nomenclature as misleading, it is necessary to bear in mind that as a result of vertical

integration in the industry, independent firms are left with the choice of receiving limited distribution, or creating relationships with the majors in order to work within the established structures of the corporate firms (Fenster & Swiss 1999, 232). As Negus (1999, 58) has noted:

The multi-divisional major companies do not attract the owners of small independent labels by being knowledgeable about music, funky, cool, street-wise or artist-friendly. The major corporation attracts the indie because it can distribute recordings. Here the tensions between indie and major do not so much involve conflicts of art versus commerce or democracy versus oligopoly ... as distribution struggles - battles to get recordings to the public.

Distribution plays a pivotal role in developing and marketing the music of artists and labels, and the two tiers of the music industry have been historically linked through the majors' control of distribution (Shuker 2001, 48). The function of the distributor is that of moving products from the record labels to the retailers, generally obtaining the rights to catalogs for a limited period of time to market and sell the products. The main advantages of using distributors is that they handle the time and costs involved with financing and organizing the production, manufacturing, marketing and distribution of recordings (LeBlanc 2003). The four majors distribute their own records, as well as those produced by their affiliates and foreign-owned independent labels through their established multinational distribution systems.

While there are independent distributors, often the benefits of being distributed by the major multinational firms outweigh those of using independent distributors. Alexander Mair, the president of MHL Communications in Toronto, which is a company that develops business plans

and strategies for the music industry and government agencies, has stated the following concerning distribution:

The smaller [the label] the more it looks to its distributor for services and the more the distributor charges them. Canadian-owned (independent) distributors can supply some sales efforts on their behalf, like co-op advertising, but they can't do marketing or promotion competitively. There are (independent) promotion and marketing people for hire but they don't get the same respect from radio, MuchMusic or retail accounts as the people who work for the big five. (Cited in LeBlanc 2003)

On the topic of distribution, Ian Lavsky, of Constellation Records, stated:

Our marketing budgets end up being extremely low, and mostly get rolled out in an often misguided attempt to satisfy distributors. The industry has never been more competitive and more cluttered. There's certainly been all kinds of retrenchments going on, and it's a combination of factors... People are increasingly price-sensitive, especially as more of them have computers and realize they can access most of this music for free. And it's not the same consumer culture in Europe either, it's not quite as easy, everything costs more. So, distributors like a lot of other people in the chain, the worst offenders being the 'box' stores, try and basically nickel and dime you for everything and ask you ultimately to do their marketing for them.

Individual labels are increasingly dependent upon the market research produced by distributors as the distribution division influences the number of recordings that will be pressed and shipped (Negus 1999, 59). A principal concern for the indies is to ensure that they do not manufacture too many copies of any particular recording, since this is quite costly (as a result of possessing a stagnant product and fees from the distributor for stocking the product) that could have been invested in other areas such as production and artist development (Negus 1999, 57). As Jonathan Rees, VP of product at HMV Canada, has noted, "with a multinational, an independent label is always

going to be the 10th or 11th tier down” (LeBlanc 2003), so it is not a priority for major distributors to push the products of the indie labels they represent unless sales figures indicate otherwise.

Although the major/indie dichotomy may be technically inaccurate, the major firms still shape the nature of the organizational networks of alliances between the large and small firms, allowing the large multinationals the advantage of gaining access to a variety of material and artists, the commercial impact of which are closely monitored (Negus 1992, 18) and re-appropriated according to the whims of the commercial market without having to invest in the development of new artists. This ‘symbiotic relationship’ is what effectively ensures the majors’ oligopoly over the market, and therefore “the power and control of the music industry is... better understood in terms of the co-optation and absorption of new music than in terms of a model that suggests the direct control and manipulation of public tastes” (Burnett 1996, 61).

The exploitation of the international market has proven to be indispensable for record companies for its tendency to provide extra income for proportionately less additional investment (Negus 1999, 155). Also, having offices and/or subsidiaries in offices around the world (as the majors do) allow the large firms to jump on the next big trend, even if it emerges in small countries, such as Bob Marley in Jamaica and Abba in Sweden (Wallis & Malm 1984, 105). The multinationals have the resources to launch acts internationally, and the enormous impact these firms have on the global music

industry is a result of their control of and access to a range of types of media and distribution, thereby allowing opportunities for cross-marketing and strategies for synergy (LeBlanc 2003).

The main concern of the majors is marketing and advertising (Lovering 1998, 36), and therefore the trend in the music industry today seems to be that the old A&R functions of record companies are no longer viable in today commercial climate (Shuker 2001, 72). Consequently, the majors strive to garner the largest share of the single mass market by marketing products which appeal to a large percentage of the population without offending any major groups (Peterson & Berger 1975, 159). It is obviously the dream of any record label to stumble upon the next reincarnation of the Beatles, as a large organization generally makes more money selling one million copies of one album, rather than selling ten thousand copies of one hundred albums (Wallis & Malm 1984, 85). A consequence of this type of strategy is a reluctance to experiment with new types of music and the avoidance of risk-taking (Negus 1999, 52). However, through their relationships with indies the majors are no longer caught off-guard by vast commercial interest in a new type of music and can react to the changing nuances of consumer taste by buying out artists' contracts or acquiring entire labels (Peterson & Berger 1975, 169). This, however, seems to be increasingly less common.

Patricia Elliott works for Trade Routes, a program of the federal Department of Canadian Heritage which is aimed at providing funding and

resources for companies in the cultural industries including music and new media. In an interview, Elliott stated:

Artists are becoming more and more business savvy so they want to keep control over their management. So I think what you see is a lot of artists that are signed to an indie label but they'll get distribution through Universal or Warner. They rely on the big machine to help them get their music out there but they're staying with a small independent label in terms of management. Most of them won't sign up with a major label because it's not a guarantee anymore and you're more likely to get a more personalized service through a small independent label as your manager than you are if you get signed into the big shop. And I know a lot of artists that are managed by one label and distributed by another, so it's not like a one stop shopping, and they might even have their publishing done under another label.

Many of the major labels are looking to new formats to revive the slumping sales of CD's, in much the same way as the commercial innovation of the CD in 1983 helped to revive the market (Lovering 1998, 38). Corporate executives seem to agree that the majors have a creative problem: Alain Levy, chairman and chief executive of EMI Music, told *Billboard* magazine that "too many recent acts have been one-hit wonders and that the industry is not developing durable artists". According to Tom Calderone, executive vice-president of music and talent for MTV, Viacom's music channel, "the days of watching a band develop slowly over time with live performances are over" (The Economist 2004). A poll by *Rolling Stone* magazine found that fans believe that relatively few "great" albums have been produced recently and people are less excited about the record industry's products, which is one explanation for shrinking CD sales (The Economist 2004).

The major record companies have attempted to rectify these problems through various strategies. For example, in 2003 Universal lowered the price on all its major releases. According the website of CIRPA (the Canadian Independent Record Producers Association), “labels are decreasing album prices of specific albums especially those by new artists to stimulate sales; offering rebates; repackaging back catalogue and selling the content as new releases; creating DVD divisions; experimenting with dual-sided CD/DVD formats and encouraging artists to create visual content for future video releases” (CIRPA, no date).

Distributors also significantly influence the product carried by major retailers. Every month, distributors must establish a priority of releases and marketing campaigns to go along with the products (LeBlanc 2003). Retailers are more likely to buy large quantities of those recordings that receive loads of advertising and promotion; moreover, such bulk purchases usually involve rebate programs or special retail campaigns, which indie labels can rarely do, relegating their recordings to back-row racks or not being carried by major retailers at all (LeBlanc 2003). Steve Kane, the Managing Director of Warner Music Canada in 2003, remarked “We are in the age of pricing and positioning. I can afford to put Faith Hill within 10 feet of the door in any store in this country. Can an indie label do that with their product?” (LeBlanc 2003). As a result of slowing sales and rising distribution costs, retailers are maintaining tight control over inventories and are trying to avoid having excess product on the shelves for an extended period of time. Furthermore, as a result of

pressure from retailers, record labels now allow retailers to return unsold products, which also contributes to distributors being reluctant to press too many copies of recordings by artists without proven track records (Negus 1999, 56).

The appearance of the Internet has had a significant impact on the 'traditional' structure of the music industry. As Timothy Taylor has observed: "the advent of digital technology in the early 1980's marks the beginning of what may be the most fundamental change in the history of Western music since the invention of music notation in the ninth century" (Taylor 2001, 3). Previously, all modes of music distribution were physical; however, with digital technology music can be recorded, endlessly copied without losing fidelity or quality, and can be transmitted electronically over the Internet to an infinite number of people, *for free* (Taylor 2001, 4). Clearly, this is viewed as a threat to the established order of the industry, and the multinationals have reacted accordingly.

Initially, it was the music retailers, and not the record companies, that were the first to denounce the Internet and the downloading of music as a potential threat to sales (Jones 2002, 219). By 1999, "MP3" had replaced the word 'pornography' as the most widely used target for search engines (Carey & Wall 2001, 35), and in 2001, for the first time, blank CD's outsold pre-recorded ones (Teachout 2002, 57).

Towards the beginning of the MP3 boom, record company executives resisted any accommodation with the new technology (Barbrook 2002, 277).

Not only was the technology resisted by the multinationals, it was attacked. Record companies, and even a few musicians (such as Metallica), attempted to brand MP3s and peer to peer (P2P) file-sharing as the death of popular music, since they allowed people to 'steal' artistic property (Carey & Wall 2001, 35). In a widely publicized case, the RIAA (Recording Industry Association of America) sued Napster, a music file-sharing P2P site, for infringing on copyright laws. Napster argued that it did not participate in music piracy because none of the music files were actually on its server; rather, the music comes directly from other users on the server (Carey & Wall 2001, 45). However, Napster was held liable for damages, and the site was successfully shut down, although many other similar sites sprang up shortly thereafter such as Gnutella, Aimster, Morpheus and Freenet (Carey & Wall 2001, 45). Ironically, the highly publicized case only served to advertise P2P programs and MP3s, taking the downloading of music from a relatively small group of users to an international phenomenon. In May of 2003, a Musiclab survey found that 20 million individuals claimed to have downloaded music from the Internet (Holland 2004, 6). Nevertheless, some studies found that a majority of people who download MP3s simply do so to sample the music before purchasing the actual CD (Carey & Wall 2001, 45). Findings such as this support claims made by pro-MP3 campaigners, who believe that MP3 'piracy' can simply be accounted for in record company budgets as marketing expenses, based on the fact that it frequently results in an eventual sale (Carey & Wall 2001, 46).

The popularity of MP3s and P2P file-sharing programs grew so quickly and exponentially that within a span of about two years the multinationals became sufficiently threatened, not only by the potential loss of profit, but by the potential loss of control over the state of the industry. In the face of this turbulent shift in distributive practices, the recording industry attempted to use what it perceived to be its only weapon against the erosion of its monopolies of distribution: recourse to the courts to guarantee the protection of intellectual property rights. This may be perceived as contrary, given the majors' long history of exploiting the rights of their artists in order to improve their own 'bottom line' (Jones 2002, 218). According to some critics, therefore, the lawsuits filed by the record industry, against servers and users alike, were actually meant to slow down the consumption of music on the Internet so that major corporations could have more time to figure out how to control it, and were not concerned with protecting the intellectual property rights of the artists, as they have claimed (Carey & Wall 2001, 43).

As much as the record industry has feared the potential loss of profits from the on-line distribution of music, another great threat posed by this new technology to the music business is that artists no longer necessarily need to sign contracts with the majors to ensure worldwide distribution. Carey and Wall (2001) have stated that "it could be argued that MP3 is far more transformative than the previous format changes and marketing revolutions in that it changes the relationship between artist and record company" (35). The Internet provides a practical mode of distributing music to a mass audience

without the need for the oligopolistic model used by the majors. This is appealing for those artists who have “a creative, financial or political aversion to dealing with the music industry” (Hayward 1995, 33). Many indie labels view the Internet as an indispensable tool; however, many artists (unknown and popular alike) have come to realize that many of the traditional functions of record companies, such as marketing and distribution, cannot simply be replicated through the Internet (LeBlanc 2003). According to a 2002 survey by the London-based media information provider, Informa Media Group, sales of digital music will remain a niche sector and are expected to account for only 1.2% of the global total of music sales by the end of the decade (LeBlanc 2003).

The reluctance on the part of academics to discuss the independent and major record labels in terms of a dichotomy seems to be attributable in large measure to a postmodern approach to cultural studies that refuses to take any kind of moral stand in order to refer to anything as ‘good’ or ‘bad’ (Lovering 1998, 32). This academic approach is increasingly distanced from the popular discourse about indie music among fans, musicians and music industry personnel alike. In an article entitled ‘The Problem with Music’ (a.k.a. ‘Some of your friends are probably already this fucked’) excerpted from the Maximum Rock n’ Roll website, Steve Albini (an influential guitarist, producer and music journalist) colourfully describes a band about to sign a contract with a major record label in the following way:

I imagine a trench, about four feet wide and five feet deep, maybe sixty yards long, filled with runny, decaying shit. I imagine these

people, some of them good friends, some of them barely acquaintances, at one end of this trench. I also imagine a faceless industry lackey at the other end, holding a fountain pen and a contract waiting to be signed.

Nobody can see what's printed on the contract. It's too far away, and besides, the shit stench is making everybody's eyes water. The lackey shouts to everybody that the first one to swim the trench gets to sign the contract. Everybody dives in the trench and they struggle furiously to get to the other end. Two people arrive simultaneously and begin wrestling furiously, clawing each other and dunking each other under the shit. Eventually, one of them capitulates, and there's only one contestant left. He reaches for the pen, but the Lackey says, 'Actually, I think you need a little more development. Swim it again, please. Backstroke.'

Albini goes on to present some typical costs that appear in major recording contracts, including the manager's cut, legal fees, producer's advance, music video production, new 'fancy' equipment costs, tour bus rental, and so on: "The band is now 1/4 of the way through its contract, has made the music industry more than 3 million dollars richer, but is in the hole \$14,000 on royalties. The band members have each earned about 1/3 as much as they would working at a 7-11, but they got to ride in a tour bus for a month" (Albini, "The Problem with Music," no date).

I have included this example, not to imply that signing a contract with an indie label is necessarily *better* for a band, but to demonstrate the type of rhetoric that is becoming progressively more common amongst musicians and fans alike – that is, that the major labels are increasingly associated in popular discourse with the exploitation, rather than the development, of musicians.

In my research, I spoke with Pierre Carpentier, the general manager of FACTOR, the Foundation to Assist Canadian Talent on Record, one of the most important agencies (funded by both the government and the private

sector) providing financial assistance to Canadian musicians. In this conversation, Carpentier addressed the dilemma faced by Canadian artists whether to sign with major labels or to pursue the 'indie' route:

There are many artists that go on to a successful career and they may never sign to a multinational. I think recording artists are being more savvy now. The artists are more likely to own the copyright and they will license it to someone for a specific period of time and at the end of the day, that ownership reverts back to the artists. Look at a band such as Blue Rodeo – they own the copyright to every one of their recordings. Loreena McKennitt does as well. There are quite a few that have moved on to bigger and better things and they still own the copyright of their recording. And that might not have been the case a dozen years ago. So I think there's more to it than just playing music and plodding ahead blindly. I think artists are more and more so taking their career into their own hands and saying, 'if I do sign directly, I don't own my copyright and that can be shooting myself in the foot.'"

So, is it discouraging to see someone work through the system and then eventually hit international fame and sign directly? Well I think we can be proud about taking that artist to the level where they achieved that success. I don't think that that's something which we should be ashamed of.

If some artists can maintain control over their artistic product, and achieve national or international success, by following the 'indie' strategy - and Loreena McKennitt, mentioned by Pierre Carpentier, would be an outstanding example of such success – then what is the appeal of signing to a major label? Some music industry insiders even go as far as to say that the role of major labels is becoming obsolete. Meyer Billurcu, a musician and co-owner of Blue Skies Turn Black, a promotions/record label based in Montreal, claimed:

Well the thing is, it's like the whole idea of a label is almost becoming obsolete because all a major label can really offer a band now is promotion, and spend a lot of money on advertising which an indie label can't do. The actual making of records has become so cheap that anyone can do it, and with the internet and online stores

it's really easy to sell music. It seems that, and we actually had a meeting about this a couple of weeks ago, the main revenue for bands and for music right now is going to come from touring, from live shows, because you can't rely on the record sales anymore. So we've noticed that a lot more bands are touring a lot more than they used to. They just have to do it now because that's the only way that they can make money. So it's weird...are majors even going to be needed in a couple of years? They're just going to become advertising companies.

From the point of view of music fans, there has been a proliferation in the number of websites and online magazines devoted to 'exposing the truth' behind the record industry and the oligopoly held by the majors (for examples, see Jeriko One or Oligopolywatch in "References – Electronic Sources," below). At the same time, new internet-based technologies have permitted both musicians and fans new possibilities. Musicians can use the internet to promote their music and live performances and to sell their music directly to consumers. At the same time, consumers may share music files and downloads in order to gain access to music which, in the popular view, had been increasingly priced beyond the interest level or purchasing power of the average consumer. While the major record companies, and the transnational conglomerates that own them, have assumed increasingly dominant positions in the 'legal' sale of popular music, and numerous music-related activities, over the past ten to twenty years, new technologies which emphasize 'consumer sovereignty' have emerged to challenge the hegemonic position of the 'Big 4.'

In this chapter I have provided an overview of the current structure of the global music industry in order to demonstrate the degree to which the major

record companies control the market, and in turn, how the economic and industrial structures of the recording industry influence what music consumers hear, and the form in which they hear it. I have also indicated that recent technological innovations (most notably the internet, MP3 storage and P2P file-sharing software) and changes in consumer behaviour pose a challenge to the dominance of the majors and to traditional models of the way the music industry operates.

Chapter 3

The Canadian Music Industry

In chapter 2, I presented a general overview of the current structure of the global music industry. As I have demonstrated, the majors maintain their market position by controlling music supply (the role of A&R), distribution and marketing. In this chapter I will discuss how the monopolization of these three sectors specifically affects the Canadian music industry.

Canada's music industry has existed for over 100 years, since the inception of the Berliner Gramophone Company in Montreal in 1898 (LeBlanc 2003). The recording industry thrived in Canada until the depression in the 1930's, after which only Compo Company and RCA Victor were left (LeBlanc 2003). From the 1950's to the end of the 60's, the Canadian recording industry was relatively underdeveloped and chaotic, and most of the Canadian-owned music companies were not so much record labels, engaged in signing artists and producing master tapes, as they were record pressing companies or distributors (Straw 1993, 56). These companies would use the profits incurred from pressing masters from the U.S. to invest into the production of new recordings for Canadian artists, which were often licensed to other companies for release in foreign countries (Straw 1993, 56). Small firms in Canada were largely dependent upon material originating in the U.S. (Straw 1993, 56). However, the large U.S. firms saw the emergence of the Canadian market as advantageous due to the retail similarities between both countries, and as the

U.S. music market grew, so did the Canadian market (LeBlanc 2003). In the 1970's, the U.S. major firms began establishing branch distribution networks across Canada (Straw 1993, 56), which were fully owned agencies that could distribute records to retail outlets from coast to coast (Straw 1996, 102).

The restructuring that took place in Canada as a result of the multinational setting up branch systems mirrored the industry restructuring that was occurring in the U.S. contemporaneously. In the late 60's, there was a wave of mergers that occurred between major record companies in the States that led to the consolidation of the channels of distribution, leading to an even greater amount of industry concentration (Straw 1996, 102). Already, at this early stage of industry concentration, the A&R role of the major record companies was neglected in favor of establishing networks of distribution, and the large firms sought out agreements or purchases of small record labels to ensure a steady supply of new music (Straw 1996, 102). By establishing branch plants in many countries, the major multinational firms were able to "better gauge the distinctiveness of national tastes and sign emerging performers" (Straw 1996, 102). However, in the case of Canada, the establishment of branch plants (Canadian subsidiaries for all the major labels) is more a result of attempting to avoid paying tariffs on imported recordings which was a major factor until the signing of the Free Trade Agreement (Straw 1996, 102).

As the distribution oligopoly took hold in Canada and the U.S., the Canadian-owned manufacturers and distributors began to degenerate, and

furthermore, corporate consolidation in the U.S. meant that many independent firms were unable to negotiate separate agreements with firms in Canada to license recordings, resulting in a decrease in private subsidies to produce Canadian recordings (Straw 1993, 57). By the mid-'70s, as multinational firms extended their control over distribution and, to a lesser extent, record manufacturing, Canadian firms began springing up (such as Attic Records and True North), which were principally engaged in finding new talent and producing master tapes of new music (Straw 1996, 103). To feed the structure they had created, multinational firms turned to Canadian indies for products to distribute, thereby leading directly to the rise of the Canadian indie labels; where the multinationals showed little interest, Canadian indies were able to offer recording contracts (Straw 1996, 103).

This, however, is no longer the case. Since the mid-'90s, fierce A&R competition from multinationals has impeded Canadian indies from signing new artists (LeBlanc 2003). As Bernie Finkelstein, the President of True North Records, has stated,

When True North, Aquarius and Anthem started in the 70's there wasn't five aggressive multinationals or five major publishing companies signing acts in Canada. The majors weren't making Canadian records. The world was my oyster. From 1969 to 1980 I was able to sign Bruce Cockburn, Murray McLauchlan and Rough Trade. The majors weren't even interested. I couldn't do that today. (LeBlanc 2003)

This being said, it is important to reiterate that the multinationals are not investing in discovering and nurturing new Canadian artists, unless there is a proven track record of being able to sell records and produce the kinds of

figures that would pique the majors' interest. As mentioned in the previous chapter, when artists or bands demonstrate marketability, they are often bought up by the majors. Indies have come to represent the means by which the multinationals establish a connection to a national music culture without investing funds or allocating resources to the production of masters or the development of a fan base (Straw 1993, 60). Where the majors have actually made investments in developing Canadian talent, it is still evident that their main concern is maximizing the sale of products made by their parent company and affiliate (LeBlanc 2003). In the final event, the major labels' interest in Canadian talent is proving to have devastating effects on Canada's domestic recording industry as local firms cannot compete with the majors (and even some of the larger American indie labels) to attract Canadian artists, or for licensing agreements with foreign firms for rights to distribute their products (Straw 1996, 97).

As the majors divest their A&R activities to the indies, their main concern has been, and continues to be, distribution. As a report by CIRPA documented, foreign-owned labels formerly involved in manufacturing or retail operations in Canada long ago abandoned these interests in order to concentrate on distribution (Straw 1993, 58), since a great percentage of profitability resides in this sector. In Canada, Universal Music is the leading distributor for independent Canadian music (LeBlanc 2003).

The benefits of being distributed by a multinational firm often outweigh those of using independent distributors for Canadian indie labels (LeBlanc

2003). Distribution through a multinational has the advantage of benefiting from established coast-to-coast distribution networks, greater access to foreign markets, and favorable relationships with promotional outlets (i.e. MuchMusic, radio stations) and retailers, which can often offer them deals and can guarantee substantial promotional activity. But there are many Canadian bands and artists who may sell between 5,000 and 10,000 albums; major distributors most likely will not be interested since sales of this volume are generally a loss for them, which is where the indie distributors come in. The leading indie distributors in Canada include Distribution Select, FAB Distribution, Sonic Distribution, DEP Distribution Exclusive, Distribution Fusion III, Madacy Entertainment Group and Scratch Recordings and Distribution.

However, independent distribution in Canada has fallen on hard times within the past decade or so as a result of inability to compete effectively within the distribution networks established by the multinationals. According to Larry LeBlanc (2003):

Since 1997, there have been the bankruptcies of such major distributors as Cargo Imports and Distribution in Montreal, Song Entertainment Distribution, and Quality Special Products, all based in Toronto; the closure of Denon Canada's distribution arm in Toronto; and the merging of Distribution Trans-Canada, with Select Distribution and GAM Distribution in Montreal. More recently, in April 2003, New York-based Pouschine Cook Capital Management purchased a majority stake in Montreal-based distributor St. Clair Entertainment.

Nevertheless, some might argue that, as a result of the indie distributors' tendency to deal with labels and artists that are far from mainstream, and whose success are measured in thousands, or even hundreds of sales, selling

product to small independent retailers, they are not in fact in direct competition with the majors. Indie distributors deal with labels that have rosters of artists that work in genres that the majors generally don't pursue. While dealing with an independent distributor may offer an indie label more personalized attention and greater priority, this can often result in effectively being shut out of mainstream retail outlets and commercial radio airplay (LeBlanc 2003). Indie labels generally market albums that fall into genre categories that lie outside of the mainstream; consequently, they are often dealing with a different type of music consumer.

Nevertheless, in the end they are still competing to a certain extent to procure a share of what is naturally a limited amount of disposable income from music fans. To do this requires effective marketing and promotion. A band such as Montreal's Arcade Fire - which signed to Merge Records, based in Chapel Hill, North Carolina - is an excellent example of how sufficient financial backing and a high level of attention and promotional effort from a record label can lead to 'commercial' success. Having garnered airplay on commercial radio and MTV, the band's debut album *Funeral* sold more than 130,000 copies according to SoundScan, which is remarkable for an indie debut ; it displaced Neutral Milk Hotel's *In the Aeroplane Over the Sea* as Merge Records' best-selling album ever (Mehr 2005). Arcade's Fire's follow-up album, *Neon Bible*, released in 2007, achieved even greater critical acclaim and commercial success.

In addition to the multinationals competing against local labels to sign local artists, the major record companies have also become more aggressive in trying to capture foreign-owned independent labels for distribution in Canada. In recent years, Canada has become an attractive market for foreign-owned indie labels as it tends to be quite responsive to their catalogs of alternative rock, jazz, roots and blues (LeBlanc 2003). However, these labels tend to demand that their distributors provide increased marketing and promotional services, which many of the Canadian indie firms cannot effectively provide as a result of limited staff and funds. Competing against the multinational firms for the rights to distribute foreign-owned indie catalogues has proven to be futile for most Canadian indies, as the majors have reputations for international success, as well as remarkable sales and promotion services and access to a vast amount of capital to provide necessary advances. As access to foreign product is core to Canada's independent distribution sector, competition from the multinationals has become a growing concern. According to Geoff Kulawick, President and CEO of Linus Entertainment based in Mississauga, Ontario:

Canadian distributors and labels will remain as niche players without any significant international catalogs so long as the majors have free rein to pick up foreign catalogs. I'd like to carry more international lines but I can't afford a bidding war. As soon as an international label becomes meaningful, the multinationals go after it. The only hope for independent labels and distributors to compete is that a restriction be placed on the multinationals distributing un-owned products, like there is for the Canadian film business.

(Cited in LeBlanc 2003)

As a result of controlling a range of various kinds of media, such as film, television, music recordings, and print publications, the multinationals can cross-market products, and therefore they have an immense impact on the global music market. While it is in the best interests of Canadian-based companies to launch their artists in foreign countries because of the substantial profits that can be earned in many major markets worldwide, Canadian indies rarely have the resources or market clout to do so effectively.

As described above, the need to seek out artists has dropped on the majors' lists of pressing corporate goals, and thus the internationalization of the music industry in large part is a result of seeking out large markets in which to sell existing stock (Lovering 1998, 44). For Canadian indies seeking distribution outside of Canada there are significant obstacles, and the simplest way to achieve international distribution would be to distribute with a Canadian-based multinational, which can be a problem for small firms specializing in niche markets.

While the popularity of the internet and MP3 technology offers new possibilities for the distribution of music, insofar as these innovations allow consumers to both download specific tunes and entire albums (often for free) and to have access to multiple points of purchase throughout the world on a 24 hour basis, there are growing concerns amongst the indies that this may lead to a further strengthening of the majors' hold on distribution. Downloads, subscription services, digital radio, interactive music sites and, increasingly, popular internet music news sites (such as pitchformedia.com, delusions of

adequacy and allmusic.com) are creating new ways for (niche) music to be widely disseminated. At the same time, however, multinationals such as AOL/Time-Warner can use their established reputations and marketing muscle to attract a high volume of paying customers to their online services.

As digital distribution matures, and the multinationals offer specials such as packages of music at discount rates in conjunction with other convenient content and services (made possible through channels established through the process of vertical integration such as economic advantages in packaging costs over retailers), many fear that existing channels of distribution will become even more concentrated, leaving indies and traditional music retailers with increased competition from online services (LeBlanc 2003). In the August 18th, 2001 issue of *Billboard* magazine, the former Jupiter Media Matrix senior analyst Aram Sinnreich discussed this problem: "Pressplay - and to a lesser extent Musicnet - are about creating artificially constructed avenues for the distribution of music that preserves the major labels' cartel on an interactive platform" (cited in LeBlanc 2003). Meanwhile, others remain positive despite the challenges faced, such as the President of Distribution Fusion III/Justin Time Records, Jim West, who stated that, "I will still have an alternative. There's always going to be someone set up with a system that we will be able to put independent music through. There will always be someone" (LeBlanc 2003).

There are still some Canadian artists who prefer to handle distribution themselves. While they face limited access to mainstream retail, they rely

primarily on touring to promote and sell their recordings. There was a time when major retailers such as HMV would agree to sell their recordings on a consignment basis, but in June 2002 HMV stopped accepting consigned products. This was a major blow to the Canadian indie community as selling their consigned albums in HMV helped to spark Canada's indie boom in the early '90s, according to Larry LeBlanc (2003). However, according to Jonathan Rees, VP of product for HMV Canada, HMV stopped accepting consigned products because of "the amount of time it was taking stores and head-office to deal with small amounts of product. We had 3,500 to 4,000 individual consignment accounts in effect." In other words, as major distributors such as HMV began to feel the pressure of falling CD sales, they could no longer take the risk of accepting CDs on a consignment basis from independent artists or indie record labels – the sales space devoted to these indie recordings, and the administrative overhead involved in monitoring sales and making sure the right people got paid, exceeded any share of the sales revenues, and/or could be better employed displaying another rack of albums and DVDs by proven artists such as Avril Lavigne, 50 Cent, Michael Buble or the Arctic Monkeys.

As demonstrated in the preceding chapter, changing consumption and retailing practices have a huge effect on choices made by distributors. As music sales have declined over the past 6 years or so, music retailers have increasingly devoted more merchandise space to other entertainment products, most notably DVD's. As a result, with so many products being released each

month, distributors establish priorities with respect to the resources put behind each release and create marketing campaigns to go along with those deemed most likely to succeed. Indie distributors, however, do not have the funds or staff to cope with the rising demands put on distributors by the retailers, or the soaring costs of shipping, processing, warehousing, marketing, in-store positioning and retail campaigns. Due to diminishing CD sales, retailers are controlling their inventory much more tightly and tend to limit their purchases to a smaller supply for a briefer period of time, leading to more frequent ordering and delivering, which is costly for labels and distributors. Since there are so few major record chain stores in Canada, these retailers have substantial bargaining power with labels and distributors. Indeed, as in the United States, a growing share of record sales is attributable to “Big Box” stores, such as Walmart, which are able – by virtue of their growing market share – to exercise considerable influence over the style and content of music released by record labels, large or small, and consumed by their customers (see, for example, Fox 2005).

Restricted supply orders from distributors lead to labels and distributors having to become more aggressive in persuading retailers to make volume purchases of albums, often using rebate programs and huge retail campaigns, once again leaving indie labels and independent distributors out of the ‘big game’. Sales staff and floor walkers are encouraged to participate in promotional campaigns for major label releases. Retailers are encouraged to take chances on albums by major labels and distributors by allowing them to

return unsold products, a strategy which often proves to be crippling for the indies; supplying indie products to major retailers is not only an uphill battle for positioning and marketing campaigns, it is also a huge risk-taking endeavor, one that many indies no longer bother taking (LeBlanc 2003). Regarding the large chain record stores, Ian Lavsky of Constellation Records stated:

What those places tend to do is ask for the absolute lowest wholesale price, put the absolute largest markup on it, maybe give it a really nice price for the first 2 weeks, because they're all about shifting as many as they can in the first week or month, then getting it into the back catalogue. They basically want the label, or the distributor and the label, to advertise it here, here, here and here, they specify the size the ad should be, make sure their logo's on it... you're essentially paying them to be your main point of sale, in that kind of, you know, 'let's hit hard'... So this obviously affects the music industry like no other.

Digital technologies in production and distribution have become a major focus in the media and academic writing over the past few years; they have been praised as a practical and significant means for artists and small labels to reach audiences without depending on the established series of intermediaries described above. Nevertheless, there are skeptics who do not believe that the new technologies have had the revolutionary effect envisioned by indie music supporters and feared by the multinationals. As Roger Wallis has observed, the early assumptions concerning e-commerce, such as its ability to "guarantee a greater range of choice for consumers and higher financial returns for suppliers/producers," turned out to be "oversimplifications" (Wallis 2006, 287). Instead, Wallis continues, "current data suggests that the power structure in the music industry serves to maintain a status quo under

which different players in the valuable chain can retain their power and revenue structure...[and] the age old tensions between concentration and diversification have not been markedly altered by the introduction of digital networks" (287). He concludes by stating that the role of regulators will be vital in restricting those who strive to achieve global control of the music market (309).

While the effects of digital downloads on the industry and the reasons behind the slump in CD sales are still being debated, the fact is that most of the large chains have greatly diversified, leaving room in the market for indie retailers. Meyer Billurcu, of Blue Skies Turn Black promotions in Montreal, described his observations of changes in the music business:

Well I work for Sonic Unyon distribution also, and it's really weird right now. Retail, at the majors' level, is really bad. I think what's happening is a lot of the major label acts, they're like, singles bands, so people are just downloading singles and they're not buying CD's, whereas a lot of indie bands are finding that they're getting more success because people are discovering them through downloading. You don't need radio, you don't need MuchMusic, you basically need a Myspace page now and you can pretty much get your music out there.

The big chains are struggling. When you go into chain stores now it's mostly video games and DVD's and some of them have books. CD's and music have become a much smaller percentage of what they're actually selling but the indie stores seem to be thriving. I was at Atom Heart [an indie record store in Montreal] the other day and they were saying that so far they've had their best few months since they've opened. I think indie bands are doing better but their expectations are lower than what a major label act would have but it's definitely changed. You see *Billboard* now, and the top selling records of the week is at 100,000 copies – it used to be 500,000.

In Canada, the changes transforming the global music industry are also affecting domestic artists, record companies, distributors and audiences, and

Canadian policy-makers are struggling to keep up. As in many European countries, the problems being tackled by Canadian policy-makers include finding ways to compete for international sales without losing cultural identity and combining cultural and industrial interests (Frith 1993, 21).

The former of these two problems, the threatened loss of cultural identity, is not a major concern in and of itself at the moment, for several reasons. Firstly, the discussion of issues pertaining to a national cultural identity in Canada is a contentious one; there is most certainly a lack of accord in being able to define the ever so elusive 'Canadian identity'. A thorough analysis of literature on this subject is beyond the scope of this thesis, and considering the multicultural diversity present within this country, constructing an argument solely on the basis of cultural protectionism in Canada is an ineffectual if not futile task. As John Sinclair has noted: "It is ever more difficult to find intellectual justification, as distinct from visceral sentiment or intuition, to support the belief that a nation's audiovisual products can somehow be an authentic expression of the culture of that nation, and so affirm that culture among its recipients. It is clearly the notion of national culture that is the weakest link in the argument" (Sinclair 1996, 39). At the same time, cultural arguments for protecting and promoting Canadian music are useful in rhetorical or ideological terms – to help legitimize policies that are often undertaken for economic or industrial reasons: this has become more important under the North American Free Trade Agreement (NAFTA), which

gives cultural industries exceptional status in permitting some forms of protectionism and governmental support.

Generally, however, it is more useful to frame cultural and industrial issues within the paradigm of the 'local' and the 'global', insofar as we can speak of local Canadian scenes (such as the Montreal scene, or rather scenes, discussed in chapter 1) and the international global industry. As Simon Frith has claimed, the 'national' no longer matters in cultural politics, the local and the global are what is important now (Frith 1993,23). Martin Cloonan, on the other hand, argues that, even in the era of globalization, the nation-state is still an important site of cultural production and consumption, regulation and identity: hence, "many Nation-States retain the power to intervene in the global market and to help local musicians reach a wider audience than they otherwise would" (Cloonan 1999, 204). As Cloonan suggests, in order to satisfy both cultural and industrial interests, the real problem facing policy-makers is to assist musicians in "finding audiences for their work rather than vice versa" (Shuker 2001, 68). This is where public policy becomes a major factor as "it is cultural distribution, not cultural production, that is the key locus of power and profit" (Sinclair 1996, 37).

The sentiment that the independent music sector is profoundly dependent on systems of government, and other public, support is echoed through much of the literature on the subject of the structure of the music industry (LeBlanc 2003; Golding & Murdock 1991, 81; Shuker 2001, 71). These 'protectionist' policies were generally adopted for both cultural and economic purposes.

Accordingly, they typically included financial programs, such as grants and subsidies, as well as regulatory policies such as quotas. The Canadian Radio and Telecommunications Commission (CRTC) was established by the Canadian parliament in 1968 in order to create policies and grant licenses for all broadcast media and telecommunications carriers (such as Bell Canada). The 1968 *Broadcasting Act* required the CRTC to ensure that each “broadcasting undertaking... shall make maximum use, and in no case less than predominant use, of Canadian creative and other resources in the creation and presentation of programming.”

The CRTC established Canadian content quotas (popularly referred to as CanCon) for AM radio in 1971 and extended them to FM radio in 1976, whereby a minimum percentage (initially 30% for AM) of music selections played during the broadcast day must qualify as ‘Canadian content.’ In order to determine whether a particular musical track could be labeled ‘Canadian’, it was decided that at least two of four criteria must be met:

1. the music must be wholly composed by a Canadian;
2. the artist (or principal performer) must be Canadian;
3. the production must have been wholly recorded in Canada or be a recording of a live performance carried on Canadian radio or TV;
4. the lyrics must be wholly written by a Canadian.

The initials of these four criteria create the acronym *MAPL*, often found on the back of CDs to indicate whether an album qualifies as Canadian content.

In the early 1980’s several programs were created to provide subsidies to the sound recording industry, partially in response to claims made by private

broadcasters that there were not enough high-quality Canadian recordings to meet the requirements established by the CTRC (Wright 1991, 307-8). In 1982, a number of Canadian-owned private broadcasters (CHUM Limited, Moffat Communications and Rogers Broadcasting Limited) joined with the Canadian Independent Record Producers Association (CIRPA) and the Canadian Music Publishers Association (CMPA) to establish the Foundation to Assist Canadian Talent on Record, or FACTOR. The Foundation's first annual budget was only \$200,000, but in 1986 the federal government created the Sound Recording Development Program (SRDP), with a plan to "pump \$2.5 million into the Canadian recording industry over five years" (Wright 1991, 308). Much of this money went to FACTOR and its Quebec equivalent, MusicAction, created in 1985. In effect, the federal government had entered into a public-private partnership with the broadcasting and recording industries to promote Canadian music. Numerous other programs were created over the next 15 years to assist artists in recording and promoting their music. In 2002, these various programs were merged together in the Canadian Music Fund (CMF). Before going on to take a closer look at the specifics of subsidies provided by the Federal government, it is important to consider the criticisms that both the regulatory policies (CanCon) and subsidy programs have received over the years from journalists, industry players, musicians, and academics.

Although the success of CanCon has been widely acknowledged (see, for example, Shuker 2001, 76), it received its share of opposition, notably from the Canadian Association of Broadcasters (CAB), a group representing the

interests of private broadcasters, and the Canadian Recording Industry Association (CRIA), a group representing the Canadian subsidiaries of the 'majors.' One of the first issues to be raised by CAB in response to the introduction of Canadian content regulations was the relative scarcity of Canadian recordings; indeed, both the quantity and quality of 'Canadian' recordings were considered to be major obstacles for private broadcasters if they were to comply with CanCon requirements. For example, a CAB survey of FM radio programmers in 1990 found that few broadcasters believed there to be "enough Canadian music to sustain a higher quota" (Wright 1991, 309). The argument made by many private broadcasters was that, in order to comply with the CRTC's regulations, broadcasters were forced to play substandard Canadian content recordings, and consequently, Canadian recordings and artists in general were quickly dismissed as "third-rate stuff", especially by American broadcasters and record executives (Wright 1991, 312). However accurate these sentiments may have been in the early days of CanCon, this argument isn't particularly relevant now, considering the wide access to high quality recording technology that exists today; broadcast quality recordings can be made in people's homes, and often are. Nevertheless, in a submission to the CRTC in 2006, the CAB proposed a reduction in the required percentage of Canadian content recordings, stating that conventional radio was facing increased competition from alternative music sources such as Internet radio, satellite radio and iPods, creating an environment where consumers control choice (CAB communique 2006).

There is most certainly a large amount of dissatisfaction expressed by Canadians, certainly in Montreal, about the quality and lack of choice in radio stations that are available, exemplified in the Montreal weekly English paper *The Mirror*. Every week *The Mirror* runs a column called the "Rant Line", where Montrealers call in their opinions on various topics; local radio has been a frequent topic of discussion, with "Montreal radio sucks" being the best summary of the sentiments expressed (Montreal *Mirror*). The fact that such strong feelings, good or bad, can still be aired about radio in public debate demonstrates that radio is not a dead medium (yet) and, therefore, that Canadian content regulations may still have a role to play.

On the other side of the debate from the CAB, CIRPA, representing independent record producers, has lobbied for an increase in CanCon requirements for FM radio and for more intensive monitoring of broadcasts to ensure that the Canadian content quotas are not being filled during non-peak periods (i.e. very late night/early morning when there are fewer listeners). A growing number of musicians and critics have been arguing that radio stations tend to fulfill their CanCon quotas with "safe" choices, meaning well-established artists, and excluding newer, emerging artists. This problem further compounds the very situation that the Canadian content rules were originally designed to remedy: the fact that new Canadian artists had difficulty establishing a fan base within Canada. As a result, the problem persists and often Canadian artists are forced to build an audience outside of Canada before Canadian radio stations will play them. Arcade Fire, for example,

received almost no commercial radio airplay in Canada until months after the band had already been widely recognized as rising stars in the American music media, and Daniel Powter had to reach the pop charts in Europe before Canadian radio played his music. While the CRTC has acknowledged this issue and was considering establishing a quota for emerging artists and awarding 'bonus' Canadian selection points for broadcasting new artists' recordings, in its 2006 commercial radio policy review, it stated that "a quota system would be difficult to apply fairly to stations operating in different formats, and that an incentive system could entail a reduction in the overall level of Canadian music broadcast" (CRTC 2006).

There have also been several widely publicized controversies regarding the MAPL system, with the case of Bryan Adams' 1991 album *Waking Up the Neighbors* failing to qualify as Canadian content as a result of his collaborations with non-Canadians probably being the most well-known. Because Adams' album was recorded in Los Angeles and because most of the songs on it, including the biggest hit "(Everything I Do) I Do It For You" (from the soundtrack of *Robin Hood: Prince of Thieves*), were co-written by Adams and Robert "Mutt" Lange (a British citizen now perhaps better known as "Mr Shania Twain"), only one of the four "MAPL" criteria were met (nationality of the principal artist) and therefore they did not qualify as "Canadian content" for the purposes of radio play. Both Adams and his manager Bruce Allen uttered strong condemnation of the CanCon system (see the views of Adams and other Canadian musicians cited in Potter 1999, 125-

132). In response to this controversy, the CRTC amended the Canadian content criteria to allow songs to qualify if both words and music had been co-written by a Canadian, a move which some saw as a dilution of the requirements while others saw it as belated recognition of the fact that song-writing is often a collaborative process.

Although there is little doubt that the CanCon regulations are not perfect, the regulations are reviewed regularly and problems *are* addressed. In 1998, for example, in response to concerns that the required proportion of Canadian music had failed to keep up with the growing success of Canadian artists in both domestic and international markets, the CanCon quota for most radio formats was raised from 30% to 35% of music selections and stricter controls were placed on when, during the broadcast day, these selections should be played. It should be noted that these changes were announced at the same time that the CRTC relaxed controls on the number of stations broadcast companies could own in the same markets – one of a series of balancing acts that the CRTC has performed to keep its principal stakeholders satisfied. However, neither the specific details of the Canadian content criteria nor the exact percentage of CanCon music required is the major concern to be discussed here; these problems *can* be fixed, or at the very least considered and reviewed, and amendments to the policies can be made as needed. Rather, since there are many critics that believe that the CanCon quotas should be eliminated altogether, it is perhaps more useful to examine these arguments at this point.

As discussed in Robert Wright's article 'Gimme Shelter': Observations on Cultural Protectionism and the Recording Industry in Canada '(1991), the general value of CanCon quotas and its use for 'Canadian culture' has been questioned by critics for several reasons. Firstly, some critics contend that the federal government's public policies regarding the sound recording sector undermine its own principal objective of developing a strong domestic recording industry. Since the Canadian market is too small in most cases to allow for recovery of the costs of production, the survival of Canadian indies depends on their ability to extend their sales beyond Canada and achieve success in international markets. Thus, it has been argued that "the most successful Canadian musicians and record companies are those which fit most readily into the larger world of Anglo-American popular music" (Wright 1991, 312). FACTOR's distribution of funds has been molded accordingly, providing larger grants to fewer artists so that those who are supported receive funding sufficient for expansion to foreign markets. Moreover, successful Canadian indies have traditionally been those that distribute foreign product in Canada as well as producing their own Canadian recordings; but this has become increasingly difficult as a result of the industry's distribution oligopoly discussed in the previous chapter. As Wright (1991) states, "CanCon legislation has failed to serve as a launching pad from which Canadian performers might attain international stardom" (314). So, if success comes from cracking international markets with allegedly homogenized, "generic" rock

music, why should Canadian broadcasters be forced to play Canadian content?

This concern was addressed by Paul Audley in his book *Canada's Cultural Industries: Broadcasting, Publishing, Records and Film* (1983). There, he states: "Canadians who are involved in the creation and performance of music ought to have a fair chance to have their music recorded and played on radio stations in Canada" (139). While it was once commonplace for Canadian musicians to *have* to go south to the United States to pursue their careers, especially if they had ambitions of international stardom, by the 1990s many Canadian artists wanted to stay in Canada and use it as a base for their musical careers. This trend was observed by Jodi Berland:

Canadian composers and musicians' associations and magazines show that Canadian agents, producers, musicians and owners of independent labels have been angry and disturbed at the difficulty of working within their own national market. This doesn't mean they don't share the aspiration of making it in the US, but rather that they want to retain their own country – still a different country with different experiences, tastes and sounds, not to mention institutions and ideologies – as somewhere to start and somewhere to come back to, and for some, as somewhere to stay (Berland 1991, 324).

Perhaps instead of questioning whether it is fair for broadcasters in Canada to "be forced" to play a requisite amount of Canadian content, a more appropriate question would be to consider whether it is fair for Canadian artists to be essentially shut out of their home market. In the end, eliminating CanCon quotas is tantamount to the federal government conceding to the demands of multinational conglomerates and private investors...again.

This leads to a second concern raised by critics: are CanCon quotas truly a cultural protectionist measure insofar as Canadian recording can be said to teach us about each other and our unique cultural experiences? William Watson (1988) has argued that at most, government policies should subsidize projects that teach Canadians about one another, and that CanCon eligibility criteria should be based on the 'Canadian-ness' of the content rather than its production, although Watson is generally in favor of eliminating the CanCon legislation altogether. As mentioned earlier, however, there is a lack of consensus (at the very least) on what constitutes 'Canadian-ness', and therefore basing subsidy distribution or radio play on such a concept would undoubtedly be rife with controversy (with different actors seeking to impose their own definitions of "Canadian," which would be highly dependent on issues of taste and value) and extremely difficult to put into practice. Indeed, if followed to its natural conclusion, this approach would lead to something resembling the arguments made by the Frankfurt school and debates regarding the high culture/low culture divide, which are beyond the scope of this thesis, since, as mentioned in chapter 1, I am concerned here with political economy, and not the moral, aesthetic or cultural worth of the artistic projects in question. Again, to quote Jody Berland (1991, 324), "Whether Canadian culture can be identified or defended as a unitary 'national subject'... is of little theoretical interest to a community of musicians and cultural producers who recognize a working oppression which affects them and which they discuss, in

contexts related to music industry issues, in terms of their Canadian nationality”.

Beyond this, however, Watson raises a third concern, as to whether it is appropriate to channel such a large amount of our tax dollars into recordings that may never reach the ears of the Canadians that ‘paid’ for them. This concern is justifiable, yet as it pertains specifically to subsidies, let us first examine how funds are distributed: how much, and to whom?

In June, 2001 the Federal government announced an initiative called “Tomorrow Starts Today” (TST), created to subsidize Canadian arts and culture. Within its budget, funds are distributed to the CBC, the Canada Council for the Arts, multicultural programs, and new investments in the book industry and the music industry. Under this initiative, the Canadian Sound Recording policy was born (also known as *From Creators to Audiences*), and the Canada Music Fund was established to “introduce a new and integrated range of both innovative and proven programs designed to deliver on the policy's vision of supporting diversity, capacity, and excellence in the sound recording industry, at every level, from creators to audience” (Canadian Heritage, no date). This umbrella fund, which absorbed the SRDP and other pre-existing subsidies and grant programs), consists of a series of eight programs created to three main policy objectives. The principal objectives of the Canadian Music Fund are:

- To enhance Canadians' access to a diverse range of Canadian music choices through existing and emerging media;

- To increase the opportunities available for Canadian music artists and cultural entrepreneurs to make a significant and lasting contribution to Canadian cultural expression; and
- To ensure that Canadian music artists and entrepreneurs have the skills, know-how and tools to succeed in a global and digital environment.
(Canadian Heritage, no date)

In 2004-2005, approximately \$25 million of the Tomorrow Starts Today budget was allotted to the Canadian Music Fund. A closer look at the individual annual budgets of the programs under the CMF as well as how the subsidies are distributed can provide better insight as to how, specifically, the fund is assisting Canadian artists and the sound recording industry. The Canada Music Fund consists of the following seven grant-based programs (an eighth program, the Policy Monitoring Program, exists to track and help co-ordinate the work of the other seven)⁵:

- Creators' Assistance Program
- Canadian Musical Diversity Program
- New Musical Works Program
- Music Entrepreneur Program
- Support to Sector Associations Program
- Collective Initiatives Program
- Canadian Music Memories Program

⁵ The following information on the CMF programs was gathered from the Canadian Heritage website.

The Creators' Assistance Program, administered by the SOCAN Foundation, distributed \$825,500 in 2004-2005 to composers, lyricists, and songwriters, with a maximum amount of \$300,000 per year in assistance to a single project, and eligible recipients are Canadian not-for-profit music sector organizations and associations representing Canadian creators. The Canadian Heritage contribution represented 100% of the SOCAN Foundation's total funding commitment of \$825,500 for the program in 2004-05. Administrative expenses of \$66,987 accounted for 8% of funds used. Under the Creators' Assistance Program, the SOCAN Foundation received five funding applications from five Canadian associations requesting a total of \$1,165,600. All the applications were approved, entailing an investment of \$813,814 or 70% of the total amount requested. In 2004-05, these Canadian not-for-profit associations sponsored a number of workshops, seminars and showcases across Canada. In all, these projects attracted more than 3,400 Canadians (Canadian Heritage, 2006).

The Canadian Musical Diversity Program, administered by the Canada Council for the Arts (CCA), assists Canadian creators, artists and entrepreneurs involved in the production, distribution and promotion of specialized sound recordings and is aimed at promoting musical diversity (as its title suggests) within the Canadian recording industry. The CCA used all of the \$1,406,250 allocated by the CMF in 2004-05. Of the \$1,406,250 available, \$1,286,250 was applied toward grants, the remainder, accounting for 9% of all funds, were used for administrative costs. 427 applications were evaluated by

the CCA under the Canadian Musical Diversity Program, and a total of \$5,765,783 was requested; however only 22% of that amount (\$975,120) was approved for 96 projects. The program supports recordings produced in a variety of genres including folk, world music, Aboriginal music, jazz, *musique actuelle*, new music, classical and electroacoustic music (Canadian Heritage, 2006).

The New Musical Works Program is administered by FACTOR for the English-language recording industry and by its Quebec counterpart, MusicAction, for the French sector. This program was created to assist Canadian creators, artists, record labels and other music recording entrepreneurs in the production and promotion of their recordings, and to develop their craft and expertise. In 2004-05, both FACTOR and MusicAction used all of the funds available under the CMF, \$7,068,184 and \$4,685,900 respectively.

Administrative expenses for FACTOR of \$1,439,807 accounted for 10% of all public- and private-sector funding received (\$14,386,647) and for MusicAction administrative expenses of \$665,266 accounted for 8% of all public- and private-sector funding received (\$8,331,324), (with additional funds coming from broadcasters, loan repayments and investment income for both FACTOR and MusicAction.) In 2004-05 FACTOR received 3,057 requests totaling \$33,186,364 for a range of projects; of these, it approved 1,197, for a total commitment of \$10,895,668, or 33% of the total requested. FACTOR disbursed a total of \$8,756,277 on past and current commitments. MusicAction used all of the \$4,685,900 available under the CMF. MusicAction approved

673 of the 806 applications it received, for a total funding commitment of \$7,681,958, or 64% of the \$11,976,091 requested.

The Collective Initiatives Program, administered by FACTOR and MusicAction, seeks to promote the development of the Canadian sound recording industry by increasing the presence of Canadian activities (such as conferences, award shows, showcases), companies, record labels, creators and artists regionally, nationally and internationally. Eligible recipients are Canadian not-for-profit organizations, associations and/or corporations. In 2004-05, the CMF invested \$2,588,453 in this program, (\$1,563,338 to FACTOR and \$1,025,115 to MusicAction). Both FACTOR and MusicAction used all of the funds received under CMF, with administrative expenses of \$1,439,807 accounting for 10% of all public- and private-sector funding received (\$14,386,647) by FACTOR and \$665,266 accounting for 8% of all public- and private-sector funding received (\$8,331,324) by MusicAction (again, with additional funds coming from broadcasters, loan repayments and investment income).

The Music Entrepreneur Program (MEP), a program created to complement the New Musical Works Program, focuses on a core group of established Canadian businesses actively involved in developing and promoting Canadian creators and performers. The program is administered by Telefilm Canada and the ultimate goal of the program is to ensure that Canadian music entrepreneurs build a strong, sustainable industry. The MEP has four objectives:

- to offer Canadians a range of compelling Canadian choices that properly reflect the country's regional and cultural diversity, as well as its two official languages, in the digital economy;
- to facilitate the long-term development of artistic talent;
- to establish a dynamic Canadian presence online;
- to promote innovative use of new technologies.

The eligible recipients are Canadian-owned and -controlled firms with a proven track record in developing and marketing Canadian musical talent, and whose principal business is the production and marketing of Canadian-content sound recordings. Telefilm Canada used all of the \$5,341,014 allocated by the CMF in 2004-05, with administrative expenses of \$534,103 accounting for 10% of all funds received. Since the program was established in 2002-03, contracts have been signed with 20 applicants, for funding commitments totaling \$18.4M over a three-year period.

The Support to Sector Associations Program, administered by the Department of Canadian Heritage, is designed to enable Canada's sound recording sector associations to provide their members with professional representation services, as well as analysis of public initiatives and industry trends and issues. Basically, this program is meant to provide support to associations (such as CIRPA) to strengthen infrastructure and eligible recipients are Canadian not-for-profit sound recording sector associations. As a result of this assistance to associations, Canadians in areas such as songwriting, music publishing, sound recording, marketing and performance will be able to make more informed decisions about their careers and activities within the industry.

The Canadian Music Memories Program, jointly administered by Library and Archives Canada and the Department of Canadian Heritage through the Audio-Visual Preservation Trust of Canada, ensures that Canadian sound recording works are preserved in order to provide Canadians with access to their musical heritage. Eligible recipients are recognized organizations that specialize in providing access to Canadian sound recordings, as well as in their preservation and conservation. In 2004-05, Library and Archives Canada used all of the \$360,000 it received under the CMF, distributed in three major spheres of activity: \$124,500 for acquisitions, \$193,900 for access and awareness, and \$41,600 for conservation. The Department of Canadian Heritage allotted \$186,455 of the \$200,000 available from the CMF to the Audio-Visual Preservation Trust of Canada. The funds were distributed in two major spheres of activity: \$90,000 for education and \$67,500 for public engagement.

Finally, as noted above, in addition to the seven grant-based components of the CMF, there is an eighth element under the Tomorrow Starts Today initiative, the Policy Monitoring Program, which enables the Sound Recording Policy and Programs Directorate to track and evaluate changes affecting the domestic and international sound recording industries, and to monitor and measure the progress and impact of CMF programs. The program is managed by the Sound Recording Policy and Programs Directorate of the Department of Canadian Heritage. The Policy Monitoring Program used \$743,607 of the

\$1,000,000 available in 2004-05, mainly to establish databases, gather statistics and conduct studies.

In 2004-05, then, a total of \$24,676,920 was distributed amongst the eight programs under the TST initiative. So, the critiques concerning the spending of Canadian tax dollars on funding the sound recording industry appear to be a legitimate concern of Canadian taxpayers. However, in 2004, record sales in Canada totaled \$562.2 million, according to CRIA, generating \$33.7 million in federal taxes (and more for provincial treasuries). In 2000, foreign-controlled companies sold \$74 million worth of recordings by Canadian artists – accounting for 54% of all sales by Canadian artists, and Canadian-controlled companies sold \$64 million in recordings by Canadian artists in 2000 – a reduction of 19 per cent from 1998 (Canada Council for the Arts, no date), so subsidies are one way of channeling capital gained from foreign-controlled companies back into the Canadian industry. In light of these figures, the programs are hardly the drain on the public coffers suggested by critics denouncing the use of tax dollars for grants to the recording industry and Canadian artists.

Lastly, as a fourth major concern about public policies in the music industry, critics have posed the question of whether Canadians should be “forced” to listen to Canadian music. The Canadian Association of Broadcasters has insisted that radio audience shares decrease in direct proportion to the amount of Canadian content broadcast (Wright 1991, 311).

Moreover, while most radio stations are now required to devote at least 35 % of their music selections to Canadian content, according to CIRPA, sales of domestic repertoire stand at 25% of all record sales, including Canadian artists signed to multi-national companies (CIRPA, no date). So, if Canadians “vote with their radio tuners and record-buying dollars” (Wright 1991, 311), why do the results seem at odds with the federal governments repeated claims that “Canadians insist on being able to hear uniquely Canadian voices that resonate with their own distinct national experience”? (Stanbury, 1996)

This issue cannot be rebutted so easily as it involves the question of taste and choices made by Canadians in general. However, Canadian public opinion seems to support the general principle of government support for the arts and cultural industries to maintain a semblance of Canadian cultural sovereignty. According to Jody Berland (1991):

Canadian discourses on culture and nation have not been uncontroversial But they are rooted in a surprisingly consensual, if unevenly effective, social democratic nationalism making broad political claims about the necessity of state intervention to preserve endangered cultural values and forms of expression. Underlying this consensus has been the belief in the central role of culture itself in strategies of colonialism, economic domination, or political autonomy. This claim is directly formulated in terms of the expressed need for an autonomous sphere of Canadian cultural production, that is, for a protected space in which an entity already self-defined as Other — defined negatively, without known qualities — could speak.

In similar vein, one of my informants, Patricia Elliott, justified the rationale for government support of the music industry and other cultural industries. Elliott works for Trade Routes, a Department of Canadian Heritage program which

assists arts and cultural industries to seek international markets. She explained some of the background to her work in the following terms:

Well if you look at across the board the investment that the government puts into the cultural industries, it goes back into the 50's, whether it's book publishing or film and television ... there's a recognition that if we didn't support our cultural industries in being able to provide Canadian content or tell Canadian stories it would be virtually impossible to compete against a market such as the US. There are other countries such as the UK or France, that have even recognized this and ratified treaties saying that culture should be protected. It's not just to be considered entertainment. But, if you want your artists to be able to tell the stories about your people you have to support them in some form or measure. If you look at the number of successful Canadian authors out there, and the success of the Canadian music industry, if those mechanisms hadn't been in place, would it have happened? I don't know. We support farmers, we support lumber, a number of different industries and part of it is our geographic placement. So, if people want to be able to read magazines like *Chatelaine*, or hear Canadian music, you have something in place to nurture that and support it or it's going to be virtually impossible – you're going to be listening to Britney Spears and reading *Seventeen* magazine. If you look at magazine shelf space, American magazines control 80 to 85% of the space, and when you walk into an HMV, and I think it's changing now because Canadian music is doing so well, but the majority of the time you walk in there and it's the top 10 of whoever's playing in the US market.

Last, but not least, it is clear that successive Canadian governments have recognized the need to protect and/or promote domestic cultural industries (and, perhaps, recognized the degree of public support for these industries) in their determination to maintain the exemption of culture from the effects of international trade agreements. When Canada signed the original Canada-US Free Trade Agreement in 1988, then-Prime Minister Brian Mulroney strongly emphasized cultural exemptions as part of his defence against opposition attacks that the Agreement threatened Canadian sovereignty. The same

exemptions were maintained in the new North American Free Trade Agreement (NAFTA) when it came into force on January 1, 1994. Later in the 1990s, the Liberal government of the day, in the person of Heritage Minister Sheila Copps, initiated international talks and cooperation with western European countries such as France and the Scandinavian nations to resist US attempts to challenge the special status of cultural industries within the World Trade Organization.

At the same time, the federal government has often appeared to pursue contradictory policy objectives, supporting cultural industries through regulation, subsidies and international trade policy, while counter-balancing these measures with policies of deregulation and privatization of the very industries it seeks to protect. This situation would seem like a large scale bureaucratic illustration of the idiom 'the left hand doesn't know what the right hand is doing'. For example, when the federal government levied high import taxes on master recordings to strengthen the industry, to avoid these tariffs all of the majors established subsidiary branches in Canada which now virtually monopolize the market (Wright 1991, 307). Another example, cited earlier, was the raising of Cancon quotas in 1998 at the same time that ownership rules were relaxed, leading to increased concentration of radio station ownership and reducing the numbers of small independent radio stations which have traditionally supported new Canadian artists. Whether or not this is simply a case of bureaucratic shortsightedness or the federal government trying to hide economic agendas with public/media-appeasing protectionist

measures is a question that I cannot solve here. However, it is evident that the contradictory nature of federal policies and measures have clearly had negative effects on the sound recording industry, despite CanCon regulations and millions of dollars in tax money being re-invested in the sound recording industry.

Although my principal focus here is not on the cultural dimension of the Canadian music policy, I do not mean to dismiss the importance of cultural sovereignty or cultural reasons for supporting Canadian music. In fact, the opposite is true, but it is necessary to consider how political and economic measures factor into our cultural industries and culture in general. In the next chapter I consider a number of possible reforms that might be undertaken to improve Canadian public policy to strengthen the economic basis of the Canadian recording industry.

Chapter 4

Where do we go from here?

Government rhetoric tends to stress the cultural significance of the Canadian music industry. Nonetheless, the fact is that the Canadian music industry is economically significant. According to statistics compiled by the International Federation of Phonographic Industries (IFPI 2007), the retail value of the Canadian recorded music market in 2003 was \$813 million (Cdn), compared with approximately \$427 in retail sales for books and periodicals in the same year (Statistics Canada, no date). As a result, the sound recording industry is monitored by the federal government and adjustments to public policy and subsidies are (sometimes) made accordingly.

In 2003, a report on the Canadian music industry, focusing mainly on distribution, was published by Canadian Heritage (LeBlanc, 2003). The Report was written by Larry LeBlanc, long-time Canadian correspondent for *Billboard* magazine and one of the leading experts on the Canadian music industry. LeBlanc made a series of policy recommendations to the federal government based on his research into the sound recording and distribution sectors in Canada (2003, 45); these recommendations are listed in Figure 4.1 below. In the following pages, I outline each of these recommendations in turn and assess its implications for the future of the independent music sector in Canada.

Figure 4.1
Recommendations of the LeBlanc Report

1. That the improvement of Canadians' access to sound recordings with Canadian content is linked with labels and independently released artists having increased access to national distribution and retail channels in Canada.
2. That independent Canadian-owned labels be provided with resources to support their products in the marketplace, specifically funding be made available to market domestic recordings. Several suggest a 80:20 funding balance for launching new recordings. If 20% of funding available is spent on recording of a project, 80% would be allotted to its marketing at retail.
3. That there is a need for professional marketing and retail development programs to effectively heighten retail awareness of Canadian recordings.
4. That there is a need for a broad range of skills upgrading within the Canadian label and distribution sectors, particularly in the development of marketing management and training in the use of new technologies.
5. That an industry study be undertaken on the future of the electronic distribution of music and that it focus on the roles of the multinationals, independent distributors and labels.
6. That Canadian-owned independent labels be provided with financial resources or that government policies be enacted that would allow them to compete effectively with majors in securing distribution rights to foreign labels in Canada.
7. That there should be increased funding available to Canadian-owned labels and artists to secure and maintain distribution in foreign territories.
8. As foreign-owned independent labels are increasingly pressing Canadian independent distributors to provide marketing, and promotional services to maximize their sales in Canada, Canadian independent distributors need further staff to offer defined promotion and marketing strategies, including supporting national touring of acts. Interviewees suggest that profits earned from foreign product sales would likely benefit the infrastructure of Canadian distribution.
9. That there should be consultation with Canada's distribution sector in developing and operating the various government-run funding programs in place for Canadian music.

Source: *Music Distribution in Canada*, Report prepared by Larry LeBlanc for Department of Canadian Heritage, April 2003, p. 45

Recommendation 1: *That the improvement of Canadians' access to sound recordings with Canadian content is linked with labels and independently released artists having increased access to national distribution and retail channels in Canada.*

The importance of distribution is clearly emphasized throughout this thesis, yet it continues to be reshaped by changes within the industry. Over the last few years, developments in the music industry have led to major distributors such as Universal and EMI aggressively pursuing indie labels for distribution rights. The following is an excerpt from a Billboard Magazine article entitled "Hungry for Indies" (LeBlanc 2007):

While Sony BMG Canada largely focuses on its own roster, insiders describe the competition among Universal, EMI and Warner for Canada's indies as fiercer than at any time in recent memory. 'The majors are hungry for indie labels,' says Dominique Zgarka, president of distributor Koch Entertainment (Canada). 'They're going after everything.' 'There's a lot of talent we want to participate in,' adds Tony Tarleton, EMI Music Canada director of associated labels. 'We're getting introduced to [indie] people I never thought we'd have conversations with.'

In 1999, Allan Gregg formed Song Corp, a Toronto-based, fully-integrated music company which included a distribution division. The company was formed through acquisitions of three major Canadian music businesses: record label Attic Music Group (and its entire back catalogue), music publisher TMP and distributor Oasis Entertainment. However, Song Corp. went bankrupt in May 2001, 20 months after opening, owing \$8.2-million to creditors (Straw 2004). Although there has yet to be a *successful* nationwide Canadian-owned distributor, there are signs of promise in the industry. In January 2007, a partnership was announced between U.S. company Fontana Distribution and

Canadian indie MapleNationWide, offering Canadian independents increased access to the U.S. marketplace (LeBlanc 2006). Perhaps eventually, as changes in the industry (such as Sony-BMG and EMI closing their Canadian branches) create new openings in the market we will see Canadian entrepreneurs taking advantage of opportunities.

Recommendation 2: *That independent Canadian-owned labels be provided with resources to support their products in the marketplace, specifically funding be made available to market domestic recordings. Several suggest a 80:20 funding balance for launching new recordings. If 20% of funding available is spent on recording of a project, 80% would be allotted to its marketing at retail.*

Recommendation 3: *That there is a need for professional marketing and retail development programs to effectively heighten retail awareness of Canadian recordings.*

These two recommendations go together and share the problem that they are not quite as simple to implement since, as mentioned in previous chapters, there is a vast difference in the kind of marketing and promotion that a major label can provide to new artists compared to what a Canadian indie can provide, even with grant money. Nevertheless, indies are capable of using a wealth of strategies, such as guerilla marketing techniques, to spread the word of new releases by new artists, the likes of which are proving to be increasingly effective. Basic word of mouth is also a very important thing for new independent artists and should never be underestimated. When asked about the challenges faced by indie artists in terms of promotional funding, Patricia Elliott of Trade Routes noted:

They don't have that kind of equity hanging around so that's why I think they have to look at alternative ways of getting their music out there and relying a lot on the Internet, relying a lot on fans. If you look at what Nettwerk does, they have these street teams in every big city, fans that they go to and they say x,y,z artist is coming in can you send out emails to all the people that you know and in return they get free tickets and merch and things like that. So they have these kind of street guerilla marketing teams out there, and I think the indies are looking at that more and more as a way of getting that distribution and looking ... less and less at a physical CD and trying to get space at Wal-Mart or HMV or Virgin, but selling through tours, selling online on downloading and looking at those because they can't compete.

At the same time, Elliott pointed out, the majors are also changing their business practices in response to declining sales and competition from the internet. These changes are, in turn, providing new opportunities for indie labels:

But then again you don't see the majors spending the money on individual artists like they did before, you know, you never hear about a multi CD deal signed for Beyonce or something like that, it just doesn't happen. There's a huge change in the landscape that's happening with the majors. I'm sure you're aware that Sony-BMG and EMI have shut down their Canadian offices as of a couple of weeks ago, that's going to provide both an opportunity and a huge challenge for the indie people. On the one hand there's been this call to get rid of the majors, they don't know what they're doing, they're not reacting quickly enough to the changes in the industry but they've been there, with a huge infrastructure and when it disappears like it has with EMI and Sony-BMG, nothing has sprung up to replace it. So the indie labels have the advantage of being smaller and they can turn around quite quickly to take advantage of an opportunity, and they don't have the same kind of equity hanging in the balance as some of the majors do.

In the face of slumping CD sales, the majors have partnered up with other industries to help promote and to create campaigns, often aimed at the box store shoppers (i.e. Wal-Mart, Zellers). For example, Sony BMG participated in a marketing campaign with the Dairy Farmers of Canada for the "Moo You

Win" contest, whereby consumers could win a trip to see Il Divo play live in Scotland. Sony BMG also participated in a 'Kissables' campaign, giving away Hershey Kisses with various country music CD's in Zellers. The outcome of such campaigns are additional exposure for participating artists (Il Divo was mentioned in television ads and was featured on in-store signs), better in-store placement for products, and more in-store signage to capture shoppers' attention (D'Innocenzo 2006). On the surface, this may not seem noteworthy; however, Wal-Mart and Best Buy are the first and second largest music retailers in the U.S. (Canadian figures are not available), with Wal-Mart holding 15.8% of the market share (itfacts.biz). So, while the majors are capable of using such gimmicky campaigns in the big-box stores, the indies are faced with the challenges of finding alternative ways to market and promote their artists. On this topic, Patricia Elliott stated:

Personally I think that the independent record labels are going to do very well, and they already are. They're showing the ability to be a lot more nimble and take advantage of some of the music publishing, some of the alternative revenue streams that are coming through on mobile and alternate distribution. They can also take advantage of the fact that a release doesn't have to be in a physical form anymore. People aren't so much selling CD's anymore as they're downloading or putting it onto their iPod, cell phone or onto their PC. I think the indies have the advantage that they're a lot more aggressive in looking for guerilla street teams out there to help them and they turn around much quicker. There are challenges, on the other hand; because you have all these things like Myspace and YouTube and so, you have so much more music out there, and it's much easier for someone to produce a single and get it out there. So you're dealing with how to get people's attention.

However, creating more room in the subsidy programs for marketing would no doubt be welcomed by artists, labels and distributors alike.

Recommendation 4: *That there is a need for a broad range of skills upgrading within the Canadian label and distribution sectors, particularly in the development of marketing management and training in the use of new technologies.*

The federal government has acknowledged the need to improve marketing skills in the music industry, through programs such as Trade Routes, for which Patricia Elliott works, and through collaboration with privately run organizations such as CIRPA. Trade Routes is a Canadian Heritage program created to provide international business development services to support the small- and medium-sized enterprises in Canada's arts and cultural sector so that they become export-ready and can take full advantage of opportunities in the global marketplace.

Recommendation 5: *That an industry study be undertaken on the future of the electronic distribution of music and that it focus on the roles of the multinationals, independent distributors and labels.*

Again, the federal government responded to this recommendation and in 2004 a study was conducted for Canadian Heritage entitled "The Changing Face of Music Delivery: The Effects of Digital Technologies on the Music Industry." Other studies on new technologies and their effects on the music industry continue to proliferate. Considering the relative speed at which changes occur within the realm of digital technology and electronic distribution, the federal government should consider forming a special task force to be assigned to monitor this area to make adjustments to programs and to provide grant monies to innovative entrepreneurs in this realm.

Recommendation 6: *That Canadian-owned independent labels be provided with financial resources or that government policies be enacted that would allow them to compete effectively with majors in securing distribution rights to foreign labels in Canada.*

Without Canadian-owned nationwide distribution, this continues to pose a problem, so again, issues pertaining to distribution continue to rise to the forefront of industry problems. Since the majors have established worldwide channels of distribution, as well as considerable amount influence with promotional channels such as radio stations, television stations like MuchMusic and retail chains, it is difficult for indie labels and distributors to compete with the majors in this respect.

Recommendation 7: *That there should be increased funding available to Canadian-owned labels and artists to secure and maintain distribution in foreign territories.*

Recommendation 8: *As foreign-owned independent labels are increasingly pressing Canadian independent distributors to provide marketing, and promotional services to maximize their sales in Canada, Canadian independent distributors need further staff to offer defined promotion and marketing strategies, including supporting national touring of acts. Interviewees suggest that profits earned from foreign product sales would likely benefit the infrastructure of Canadian distribution.*

Canadian Heritage programs, such as Trade Routes and international touring grants, address this issue. Again, arguments in preceding chapters in this thesis have demonstrated how important it is for Canadian artists to secure foreign distribution. Paradoxically, securing rights to distributing foreign music within Canada and distributing Canadian music outside of Canada both serve to strengthen the Canadian industry, in much the same way they did in the

early days of the Canadian music industry, as described at the beginning of chapter 3.

Recommendation 9: *That there should be consultation with Canada's distribution sector in developing and operating the various government-run funding programs in place for Canadian music.*

At time of writing (September 2007), there do not seem to be any major new government initiatives specifically oriented towards the development of the music distribution sector. As I hope to have demonstrated in this thesis, any such an initiative would be a huge benefit for the Canadian music industry, and this issue continues to be emphasized in other recent studies undertaken for the Department of Canadian Heritage (see, for example, Stein-Sacks, 2006).

Conclusion

Whether such reports will lead to government-funded initiatives intended to build and support Canadian-run distribution channels remains to be seen. However, there is a remarkable history of changes in public policy being effected in response to studies and publications as well as public criticisms in the media, from Paul Audley's *Canada's Cultural Industries : Broadcasting, Publishing, Records and Film* (1983) to Larry LeBlanc's more recent *Billboard* articles and reports for Heritage Canada. This is vital, since, as Audley has stated, "any public policy that ignores the structural problems of the recording industry will almost certainly fail" (1983, 176). With millions of federal dollars

being channeled into the industry, government agencies such as the Policy Monitoring Program of the Canadian Music Fund assess the health of the industry on a regular basis, ensuring that reports such as Larry LeBlanc's *Music Distribution in Canada* continue to keep us informed of current changes in the industry, particularly as they pertain to government policy.

While many journalists and academics writing about the music industry in Canada seem to suggest that it faces a very grim outlook – indeed, in some cases that it and other cultural industries will inevitably succumb to the imperialistic tendencies of the American free market model - people who actually work in the industry seem more optimistic. While the music business faces many challenges, and is highly susceptible to changes in both global markets and domestic politics and policy, the indies seem pretty well-equipped to adjust and deal with them, in large measure because of the small scale of their business and low level of equity invested in any particular strategy. Perhaps the most important factor in guiding the indies is a passion for what they do, a key ingredient conceivably lacking in the majors, which are, correctly or incorrectly, now usually perceived to be run by “bean counters” (accountants) rather than “music people.” Notwithstanding the challenges facing Canadian independent labels and artists, the market for independent artists in Canada seems to be a strong and resilient one, and will likely persist despite the economic and technological changes described in this thesis.

If there is one major threat to the Canadian independent music industry today, it is the potential loss of the support provided by the federal government

in the form of subsidies and regulatory policies. Every new federal election and each re-examination of public budgets and expenditures brings about the possibility that funding will be cut or disappear altogether. It is important, therefore, for public policy makers, representatives of the Canadian music industry and, indeed, musicians themselves, emphasize the advantages for Canadian music and for the Canadian economy of maintaining these policies.

In part, it is necessary to dispel some of the common criticisms of the current policy framework. For example, it may appear that the government subsidies consist mainly of grants given to established artists that fit the mold of generic rock or pop (i.e., what is 'hot' on the charts). Should these grants disappear, it would follow, there would be no substantial effect on the industry as a whole. This misconception, one that I held myself before undertaking this study, seems to stem from the tendency for FACTOR and MusicAction to distribute their money in this way, to recipients such as Ron Sexsmith, David Usher, Colin James and Jeff Healey (in recent years). Although these artists may have been worthy beneficiaries of funding support earlier in their careers, once they were established, they no longer needed assistance. Many musicians see this kind of support as hypocritical, since generally the idea of government subsidies is that they should be given to those who need it most. And, since the media tend to focus on large FACTOR grants, often given to established artists, many of the other grants and loans are often overlooked. These 'other' grants allow for many of the events and organizations that

display the wealth of talent in this country and educate the artists and entrepreneurs in the ways that they can become stronger.

When asked about federal grants, Ian Lavsky responded by stating the following:

The most important thing regardless of how somebody gets something off the ground, or how an autonomous arts organization or arts business gets running, is where they want to end up and what they'll stop paying attention to along the way. Such that all kinds of complicity with an economic order that, regardless of whether you're Canadian or American, needs to be thought about and challenged, or at least more people need to think about what alternative they're building. In my experience, Canadian arts funders, and particularly FACTOR, and the 'industry' grants that are out there for music, their definition of success is plugging into precisely what we get so demoralized about when we see indie labels that have built something really good and sustainable and kind of pure chasing after larger sales of a particular title, letting it get hyped up, selling it off to a major. And that's I guess where the frustration of how music gets funded in Canada versus an arts model...nobody expects someone who's getting a Canada Council grant to all of a sudden make a profit. If you're going to be a record label then you've already got one foot in some kind of commercial activity, and should see it through, and by all means try and make it work and sustain itself if it can. What burns my ass is when I see 5 or 50 or 500,000 dollar grants being given to companies that employ a whole level of middle management that's largely hungry for middle management-type salaries and perks, and are essentially mediating between the band and the marketplace, feeding that entire middle echelon of advertising...that's what ends up costing.

However, even the grants given to the already established artists may assist the Canadian music industry in general because, since they help to increase the popularity of these artists worldwide, they also serve to promote the idea that Canadian music is of high quality and competitive in international markets. Many Canadian musicians have received international acclaim over the past few years - Nelly Furtado, Michael Buble, Celine Dion, Nickelback,

Sarah McLaughlin, Simple Plan, among many others. While many consider it unfortunate that Canadian artists often need to be recognized as successful outside of Canada before they are ever acknowledged within Canada, this 'problem' can be remedied. Implementing policies such as those discussed and eventually rejected by the CRTC to encourage radio stations and television music channels to play newer, less established artists can give new Canadian artists local and national exposure in Canada. Despite the fact that the CRTC has not sided with such proposals does not necessarily mean that they can never be re-addressed by the regulator, especially if calls for such policies continue to appear in published materials and the media.

While it is not always the case that a Canadian artist is anointed as a rising star once the American media has confirmed this status, it happens frequently (as in the case of Arcade Fire, mentioned above). I asked Patricia Elliott what she thought about this tendency. She responded by stating:

I think with Arcade Fire and Merge, or Wolf Parade and Sub Pop, they obviously chose those labels because they are really effective and professional. But if you look at labels such as Arts and Crafts, out of Toronto or at Nettwerk out here in Vancouver and the roster of artists that they have, from what I've understood talking with them, it's very much a relationship; you work with people that you want to work with and that you like. For Arcade Fire, they just might have perhaps clicked with whoever it was from [Merge], and might have decided that that was probably the best way for them to go. I mean, look at Broken Social Scene; they're huge, yet they've decided to stay within Canada. There are some artists that are always going to look for a US label because they'll see that as a sign of success, but I mean the Canadian music scene in the last couple of years has just gotten so much press and attention, and it's just doing so well...they're going to go with the label that they think is going to give them the most chance of success. Look at Jeffrey Remedios from Arts and Crafts – he's very well regarded internationally and someone who's really smart and savvy and finds really good up-

and-coming talent, I mean Terry McBride (CEO of Nettwerk) is probably the top indie manager in the world now.

In terms of market size, the tendency to look to American media appraisal for validation of Canadian artists is almost unavoidable, considering that the population of California alone is higher than the population of Canada.

However, if Canada continues to nurture and produce successful artists at the same rate as it has over the past few years, there is a chance that this will lead to the creation of an increasingly supportive infrastructure that will keep Canadian artists in Canada, working with Canadian companies.

The Canadian public policy framework is not perfect and an argument could be made for a comprehensive review of both the regulations and the subsidy and granting process in light of recent developments in the industry (similar arguments are made, but no specific recommendations offered, by Shelley Stein-Sacks in her recent report to Heritage Canada on the independent music sector; see Stein-Sacks 2006).

Although I set out to demonstrate that the federal government's policies, regulatory regimes and subsidies are insufficiently developed to permit Canadian independent artists to gain access to local markets, I actually found the opposite to be true. While it is true that the deregulation of the cultural industries and liberalizing of anti-monopoly restrictions has created significant problems for the industry, we cannot effectively close the nation off from such worldwide economic trends as free trade. On this topic, Patricia Elliott stated:

I think it's just a fine balance. You can't stop free trade; you can't stop commercialization. It is going to happen and if you want a healthy economic environment you have to allow for that, and in our

case they're going to allow for free trade they're going to allow for an open market access, but at the same time they're going to support the industries ... and provide them with the environment and the tools to succeed. Once they get to a certain level, the amount of funding that they're eligible for diminishes, because you don't need it. We work with small to medium sized enterprises - I mean I work with Netzwerk, but they've never received any funding. They don't need that. The kind of services they need from me are very different.

Academic studies taking a political economy perspective have been justifiably eager to point out the weaknesses of Canada's cultural industries but lacking in the recommendation of practical solutions. Jody Berland, for example, cites Bernie Finkelstein of True North Records in support of the view that Canada is a victim of cultural imperialism: "Canada is not a free marketplace. Canada is basically a third world country by definition. We do not own distribution, we do not own manufacturing - which is the definition at the U.N. of a third world country" (cited in Berland 1991, 322). Berland goes on to draw a comparison between Canadian talent in the music industry and softwood lumber as "the well-known role played historically by Canada in the provision of raw materials, or staples, to a technologically and economically dominant manufacturing class in the US" (321). Furthermore, the highest costs are placed on the shoulders of the indie labels and musicians. As John Sinclair has noted, "the continuous development and production of new cultural products has high fixed costs...however, the costs of reproduction are marginal" (36). Nevertheless, he has also noted that "cultural products are distinct from other commodities in that one of their use values lies in the ephemeral appeal of

novelty or difference”, which is something that Canadian artists continue to provide.

Generally speaking, those who achieve ‘success’, not only within the music industry but in industry and the arts in general, are those who can fill a gap in what is already provided or who have the vision to come up with something completely new, as opposed to simply ‘copying’ an already established model of a successful business or a commercial ‘sound’. For example, Ian Lavsky of Constellation Records described how his label took advantage of a gap in the local Montreal music scene:

In 1996, my partner Don in the label and myself actually started by looking for a space in Montreal; we wanted to actually open a performance space. I was playing in a band at the time, Don was working at a job he hated in Toronto (and a huge music fan) and was making frequent visits here. The live music landscape was pretty terrible in this city as most of the venues that were available were dance clubs as of 11pm and you would get \$200-300 for the privilege of taking their stage early on in the night. There was just a real absence of spaces to support anything that was a little bit more experimental, for the people weren’t interested in plugging into an inevitable ladder towards generating interest from established labels, or using it as a springboard to open for the ‘big act’ that was going to come to town. We had always imagined that a record label would emerge from out of this local, artist-friendly small venue that we were going to start up and pay for with something like \$5000 that we had saved between us.

In a rapidly changing industry such as the music business has been over the last decade, as Lavsky and others have repeatedly emphasized, smaller scale enterprises such as independent record labels have the flexibility to adapt to new technologies, changing consumer tastes and a constantly shifting economic climate.

There is hope that if Canadian public policies and subsidies continue to strengthen the foundation of the countless, small independent businesses and artists that make up the Canadian music industry, then eventually, the industry will be strong enough to thrive on its own without grant monies or regulatory regimes. In the meantime, however, those who work in the industry count on the continuing interventionist policies, and to lose them prematurely would no doubt bring grave repercussions.

Despite the fact that the current structure of the industry puts the indie labels at a disadvantage, in the long run and in the face of the changing industry, the indies have the advantage of being able to cope better with the smaller-scale, local scenes - which seem to be the future of the industry - as well as being in a better position to take advantage of, and take risks on, new methods of promotion and distribution. Not only do the federal grants acknowledge the cultural importance of independent artists in our society and create a space for their voices, but they continue to provide support for those working within an industry that is in the process of a major shift, the outcome of which can only be speculated upon. Whether or not an indie label, band, organization or business has had the opportunity to have access directly to federal grant monies, the public policies and subsidies have had a substantial effect on the industry since their inception. Although these policies are not without their problems or controversies, they are no doubt vital to the industry according to those who work within it.

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